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GUIDE BOOK FOR INVESTORS IN GOVERNMENT OF INDIA SECURITIES

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Guide Book for Investors in Government of India Securities

CHAPTER I.

THE NATIONAL DEBT OF INDIA.

On 31st March 1921, the national debt of India was 561 crores, excluding about 105 crores of floating debt in the shape of treasury bills of which 61 crores had been placed in the Paper Currency Reserve and 44 crores were in the hands of the public. This figure represents less than Rs. 23 per head of India's population, and, when compared with the public revenues, which in the financial year 1920-21 amounted to about 206 crores, constitutes a national indebtedness which, in comparison with the national resources, is very much smaller than that of most other nations. The reason why India is in this favourable position is mainly the care with which, in the long years of peace preceding the great war, her outlay was restricted to her available means, whereby the accumulation of wasteful and unproductive debt was avoided. At the commencement of the war India found herself in the position that almost the whole of her debt represented productive outlay on railways and irrigation, normally yielding a return considerably in excess of the interest which she had to pay on the amount borrowed, including the interest on the small amount of debt which could be described as unproductive. She was thus entirely exempt from the deadweight of interest charges which, even before the war, hampered the finances of most western countries and is now a burden which they are scarcely able to bear.

2. The truth of the above statements will be apparent from a consideration of the figures given in the following table, which show the amount of the national debt of India, both productive and non-productive, from time to time :—

[IN CRORES OF RUPEES.]

	Ordinary Debt.	PRODUCTIVE DEBT.			Grand total of debt (columns 1 and 4).
		Railways.	Irrigation.	Total.	
	1	2	3	4	5
On 31st March—					
1888 . . .	109·5	88·8	25·9	114·7	224·2
1893 . . .	97·5	136·5	28·9	165·4	262·9
1898 . . .	105·0	159·0	32·5	191·5	296·5
1903 . . .	88·7	192·1	37·2	229·3	318·0
1908 . . .	56·1	266·6	44·8	311·4	367·5
1913 . . .	37·5	317·7	56·4	374·1	411·6
1914 . . .	19·2	333·0	59·1	392·1	411·3
1915 . . .	3·3	349·8	61·6	411·4	414·7
1916 . . .	3·0	351·6	63·6	415·2	418·2
1917 . . .	10·5	353·6	64·9	418·5	429·0
1918* . . .	133·3	358·8	65·9	424·7	558·0
1919* . . .	130·1	365·5	66·7	432·2	562·3
1920* . . .	119·7	378·6	67·5	446·1	565·8

* Excluding Post Office Cash Certificates, Treasury Bills and temporary loans from Presidency Banks.

3. It will be seen from the above that on the 31st March 1914, out of a total debt of 411 crores, only 19 crores represented ordinary or unproductive debt. The annual interest on the latter was only a crore, and on the productive debt about 13 crores, so that India's total interest charges then amounted to about 14 crores. On the other hand, railways and irrigation works, which had been financed from the productive debt, yielded in that year a return of nearly 23

crores, which left a margin of 9 crores of clear profit to the country, after meeting the interest charges on the entire debt. The ordinary debt was gradually reduced until, in 1916 it amounted to only 3 crores. This progressive reduction was due to the fact that in most years it was found possible to finance a portion of India's productive works from revenue surpluses, which resulted in an increase of productive debt and an equivalent decrease in the ordinary, or non-productive, debt. Had it not been for India's contribution of 150 crores to the expenses of the war, the ordinary debt would have been completely wiped out in 1917, and the amount of the ordinary debt outstanding on 31st March 1920, namely, 119·7 crores was considerably less than the amount of that contribution.

4. The interest on India's public debt is not only secured by the revenue from railways and irrigation works which were directly financed by borrowing, but is a charge on the public revenues as a whole. The following table shows the total revenue and expenditure of India (including the revenue and expenditure of the provinces) during the past nine years :—

						*IN CRORES OF RUPEES.	
						Revenue.	Expenditure.
1912-13	.	.	.	.	.	130	119
1913-14	.	.	.	.	.	128	125
1914-15	.	.	.	.	.	122	128
1915-16	.	.	.	.	.	127	128
1916-17	.	.	.	.	.	147	132
1917-18	.	.	.	.	.	167	153
1918-19	.	.	.	.	.	185	191
1919-20	.	.	.	.	.	197	221
1920-21	.	.	.	.	.	206	219

It will be seen that after 1912-13 there was for three years a set-back in the revenue. In 1913-14, India, in order to co-operate with the Chinese Government in its policy of suppressing the opium traffic, ceased exporting opium to

China, and thereby lost 5 crores of annual revenue. The further fall of revenue in 1914-15 was directly due to the outbreak of the war, which chiefly affected the receipts from customs and railways. The following year, however, was marked by a general restoration of business confidence and a further growth in the prosperity of the country, and from that year the revenue again increased, though to a large extent the increase in the later years represents the proceeds of new taxation. As regards expenditure, the growth of administrative and other changes was checked by the war economies which were enforced in 1915-16, but from 1917-18 onwards the rise in prices inevitably led to a large increase in these charges, while in 1919-20 and 1920-21 additional military expenditure on account of the Afghan war and other operations on the frontier was heavy.

5. For these reasons the expenditure has exceeded the revenue by a large amount in each of the last three years. The strain on the finances of India is likely to be considerable for the next few years, but her industries and commerce are expanding rapidly and, as the world recovers from the effects of the great war, it is not too much to expect that the growth of the public revenues will be amply sufficient not only to serve the existing debt, but also a much larger one, whenever the raising of further capital is necessary in India's interest.

CHAPTER II.

WHAT THE NATIONAL DEBT CONSISTS OF.

6. The existing rupee loans are of two kinds :—

Current
rupee
loans.

(1) Those which Government has undertaken not to repay before a certain fixed date, but which are repayable at the option of Government at any time after that date, after giving notice. As there is no fixed term at the expiry of which the repayment of such loans by Government is obligatory, they are usually known as *Non-Terminable Loans*. The dates, before which repayment is not to be made, have passed and all these loans are now repayable at the option of Government after three months' notice.

(2) Those which Government has undertaken to repay either (a) on a certain fixed date, or (b) not earlier than a certain fixed and not later than another fixed date. Such loans are called *Terminable Loans*.

7. The following are the rupee loans now in existence :—

(a) *Non-Terminable Loans.*

1	2	3	4
Name of loan.	Half-yearly date of payment of interest.	Conditions of repayment. (Unless otherwise stated, repayment will be at par.)	Amount outstanding on March 31st, 1921.
1. 3½ per cent. loan of 1842-43.	1st February and 1st August.	} Repayable at the option of Government after three months' notice.	Rs 20,94,82,300
2. 3½ per cent. loan of 1854-55.	30th June and 31st December.		29,25,58,400

WHAT THE NATIONAL DEBT CONSISTS OF.

(a) *Non-Terminable Loans*—concl'd.

1	2	3	4
Name of loan.	Half-yearly date of payment of interest.	Conditions of repayment. (Unless otherwise stated, repayment will be at par.)	Amount outstanding on March 31st, 1921.
3. $3\frac{1}{2}$ per cent. loan of 1865.	1st May and 1st November.	Repayable at the option of Government after three months' notice.	34,03,71,700
4. $3\frac{1}{2}$ per cent. loan of 1879.	16th January and 16th July.		3,44,52,500
5. 3 per cent. loan of 1896-97.	30th June and 31st December.		6,55,80,050
6. $3\frac{1}{2}$ per cent. loan of 1900-01.	30th June and 31st December.		31,44,24,000
		TOTAL	1,25,68,68,950

(b) *Terminable Loans.*

Name of loan.	Half-yearly date of payment of interest.	Conditions of repayment.	Amount outstanding on March 31st, 1921.
1. 4 per cent. Terminable Loan of 1915-16.	31st May and 30th November.	Repayable not before 30th November 1920 and not later than 30th November 1923.	4,99,86,000
2. 4 per cent. Conversion Loan of 1916-17.	1st April and 1st October.	Repayable not before 1st October 1931 and not later than 1st October 1936.	9,90,01,200
Indian War Loan, 1917. { 3. 5 per cent. War Loan, 1929-47.	15th February and 15th August.	Repayable not before 15th August 1929 and not later than 15th August 1947.	24,27,10,500
4. $5\frac{1}{2}$ per cent. War Bonds, 1922. *	15th February and 15th August.	Repayable on the 15th August 1922.	11,27,95,900

N. B.—The interest on the loans marked * is exempt from income-tax, but not from super-tax. It is taken into account in determining the rate at which income-tax will be levied on other income.

(b) *Terminable Loans*—concl'd.

Name of loan.		Half-yearly date of payment of interest.	Conditions of repayment.	Amount outstanding on 31st March 1921.
Indian War Loan, 1918.	5. 5½ per cent. War Bonds, 1921.*†	15th March and 15th September.	Repayable on the 15th September 1921.	15,41,62,000
	6. 5½ per cent. War Bonds, 1923.*†	15th March and 15th September.	Repayable on the 15th September 1923.	2,14,76,100
	7. 5½ per cent. War Bonds, 1925.*†	15th March and 15th September.	Repayable (at Rs. 108 per cent.) on the 15th September 1925.	4,17,20,750
	8. 5½ per cent. War Bonds, 1928.*†	15th March and 15th September.	Repayable (at Rs. 105 per cent.) on the 15th September 1928.	24,97,89,050
	9. 5 per cent. Income-tax free Loan 1945-55*	15th April and 15th October.	Repayable on 15th October 1953 or at the option of Government at any time after 15th October 1945 after 3 months' notice.	21,01,41,200
	10. 6 per cent. Bonds 1930.*	15th February and 15th August.	Repayable on the 15th August 1930.	29,34,69,400
TOTAL				1,47,52,52,100

NOTE.—The following loans have been issued after 31st March 1921:—

11. 6 per cent. Bonds, 1926.*	15th March and 15th September.	Repayable on 15th September 1926.	37,78,72,900†
12. 6 per cent. Bonds 1931.*	15th March and 15th September.	Repayable on 15th September 1931.	11,30,66,700†
GRAND TOTAL			1,96,61,91,700

N. B.—The interest on the loans marked * is exempt from income-tax, but not from super-tax. It will be taken into account in determining the rate at which income-tax will be levied on other income.

† These Bonds will be accepted at par, during their currency, as the equivalent of cash for the purpose of subscription to any future long term loan, whatever its rate of interest may be.

‡ Approximate figures.

Subject to the conditions laid down in Appendix I, transfers are permitted between any of the 3½ per cent. loans and from the 3 per cent. loan of 1896-97 to the 3½ per cent. loan of 1900-01.

8. In the first half of the nineteenth century the East India Company on several occasions raised loans by public subscription. These loans at first bore interest at 5 per cent., but with the increasing stability of the Company's power, and the peace and good government which followed therefrom, it was found possible, in the fifth decade of the century, to borrow on a 4 per cent. basis. The then existing 5 per cent. loans were accordingly discharged, the

Origin of
the existing
rupee loans

holders of notes of those loans being allowed, from time to time, the option of transfer to 4 per cent. loans. Subsequently, when the troubles of 1857-58 had subsided, India, the government of which had meanwhile been taken over by the Queen-Empress, found it possible to raise money at $3\frac{1}{2}$ per cent. and, in consequence, notice of discharge of the then existing 4 per cent. loans was given, the holders of those loans being allowed the option of transferring into $3\frac{1}{2}$ per cent. loans.

9. These transfers took place chiefly in the year 1894 and resulted in the then existing 4 per cent. loans, together with a few miscellaneous loans, such as the Mysore Family Loan and the East India Railway commuted stock, ceasing to exist. They reappeared, however, as $3\frac{1}{2}$ per cent. loans. Thus:—

he $3\frac{1}{2}$ per
nt loans of
342-43,
354-55,
365, and
379.

The 4 per cent. loan of 1842-43 was replaced by what was termed the $3\frac{1}{2}$ per cent. loan of 1842-43.

The 4 per cent. loan of 1854-55 was replaced by the $3\frac{1}{2}$ per cent. loan of 1854-55.

The 4 per cent. loan of 1865 was replaced by the $3\frac{1}{2}$ per cent. loan of 1865.

The 4 per cent. loan of 1879 was replaced by the $3\frac{1}{2}$ per cent. loan of 1879.

To a large extent, the amounts of these loans now outstanding, as shown in column 4 of the table given in paragraph 7, represent the transfer of the former 4 per cent. holdings, though in many cases transfers have also been made from one $3\frac{1}{2}$ per cent. loan to another, while the amounts have also been reduced by the conversion operations associated with the 4 per cent. Conversion Loan of 1916-17 and the 5 per cent. War Loan, 1929-47.

When the above $3\frac{1}{2}$ per cent. loans were formed, a guarantee was in each case given that the loan would not be discharged before the 1st August 1904, and, subsequent to that date, not without three months' notice. The guaranteed terms having expired, all these loans are now

liable to be discharged after three months' notice by Government.

10. In 1896 advantage was taken of the easy condition of the money market, and a 3 per cent. loan of four crores was successfully floated at a premium, the opportunity being also taken to discharge two then existing $3\frac{1}{2}$ per cent. loans, namely, those of 1853-54 and 1893-94, the holders of which were given the option of transferring their holdings to the new 3 per cent. loan, whereupon a sum of nearly 5 crores was transferred in exercise of that option. The new loan was also augmented by the investment of about 2 crores of the Paper Currency Reserve. Shortly afterwards, however, money began to get dearer, and there was for some years a continuous falling off in the price of the 3 per cent. paper, until in 1908 holders of the latter were allowed to exchange their holding into the $3\frac{1}{2}$ per cent. loan of 1900-01 on condition of a reduction by one-seventh in the face value of the paper.

11. In 1900 a new $3\frac{1}{2}$ per cent. loan was floated and was guaranteed against discharge up to 31st December 1920, as the then $3\frac{1}{2}$ per cent. loans were approaching the end of the period of their guarantee. Except as regards the period of guarantee, there was nothing peculiar about the loan, which was one of three crores. All the loans raised since 1900, till the flotation of the 4 per cent. Terminable Loan of 1915-16, were made part of this loan, which is known as the three and a half per cent. loan of 1900-01.

12. In 1915 a loan of $4\frac{1}{2}$ crores of rupees was raised. This loan, which is known as the 4 per cent. Terminable Loan of 1915-16, was issued at par, bearing interest at 4 per cent. per annum. It provided that, if not previously redeemed, the loan would be repaid at par on the 30th November 1923. Government reserved the right to redeem the loan, or any part of it, at any time on or after the 30th November 1920 on giving three months' notice. Besides

Three per cent. loan of 1896-97.

Three and a half per cent. loan of 1900-01.

Four per cent. Terminable Loan of 1915-16.

the above sum of $4\frac{1}{2}$ crores, a sum of nearly 50 lakhs was realised through the Post Office section of the loan.

Four per cent.
Conversion
Loan of
1916-17.

13. In 1916 a sum of nearly $6\frac{1}{2}$ crores was raised. This loan, known as the 4 per cent. Conversion Loan of 1916-17, was issued at par, bearing interest at 4 per cent. per annum. Subscribers to this loan obtained, besides the allotment certificates issued in favour of each subscriber, a conversion warrant for the amount of loan allotted, entitling the holder of the warrant to the privilege, subject to certain conditions, of converting their $3\frac{1}{2}$ per cent. or 3 per cent. rupee securities into securities of the new loan. The terms of the loan provided that, if not previously redeemed, it would be repaid at par on the 1st October 1936. Government reserved the right to redeem the loan, or any part of it which might, from time to time, be selected for redemption, at any time on or after the 1st October 1931, on giving not less than three months' notice. As a result of the supplementary applications to the loan through the Post Office a sum of Rs. $32\frac{1}{2}$ lakhs was realised. Investors through the Post Office also obtained similar conversion rights. The total value of securities issued in conversion of the 3 and $3\frac{1}{2}$ per cent. loans amounted to about $6\frac{2}{3}$ crores.

The War
Loans.

In 1917 it became apparent that India's continued prosperity would enable her to make a substantial contribution to the Imperial Government towards the prosecution of the war. India agreed to take over £100,000,000 of the British War Debt, and to finance this liability the Indian War Loans of 1917 and 1918 were issued. The terms of these loans are as stated in the table given in paragraph 7 above. A special feature of the War Loan operations was a very large increase in the number of people in India who hold Government securities, the applications for the 1917 loan including investments made therein through the Post Office, amounting to no less than 175,103, while over $4\frac{1}{2}$ million cash certificates (see paragraph 23) were sold up to the end of March

1918. Another feature of interest connected with the 1917 War Loan was the establishment of a Sinking Fund for the 5 per cent. War Loan, 1929-47; this loan was issued at 95, and the Government of India undertook to set aside annually a sum equal to $1\frac{1}{2}$ per cent. of the amount of the loan, to form a fund to be used for the purchase of the securities of that loan whenever the market price falls below 95. Since 1917 the securities of the Government of India, in common with the securities of all other Governments, have depreciated in value owing to the decrease in the value of money as compared with commodities. The amounts set aside annually in accordance with the above undertaking have, therefore, been fully utilised in the purchase and cancellation of portions of the loan.

14. In 1919, 1920 and 1921 the Government of India floated further loans mainly in order to reduce their short term liabilities by conversion of War Bonds and to enable them to repay War Bonds falling due for payment. The details of the loans floated in these years are given in paragraph 7 above, but there are some special features about them which are of interest. In subscription to the loan of 1919, War Bonds of every series were accepted at par as the equivalent of cash and a little over 2 crores of these bonds were in this way converted into the new 5 per cent. loan. As in the case of 5 per cent. War Loan, the Government of India undertook to set aside annually a sum equal to $1\frac{1}{2}$ per cent. of the amount of the loan to form a fund to be used for its purchase and cancellation when the market value falls below the issue price. The Government of India also undertook that no future issues of this loan would be made at a price below 95 per cent., which was the issue price in the year 1919. In 1920, on account of the decrease in the market value of Government securities due to causes mentioned above, it was necessary to give a higher rate of interest, and, although the 5 per cent. income-tax free loan was

Subsequent
loans.

reopened for subscription, there was a simultaneous issue of ten-year income-tax free bonds bearing interest at 6 per cent. War Bonds 1920 and 1921 were accepted at par in subscription to this latter issue and over $17\frac{1}{2}$ crores of these bonds were converted. In 1921 five and ten year income-tax free bonds bearing interest at 6 per cent. were issued, and War Bonds 1921 and 1922 were accepted at par in subscription to either issue.

Special loans. 15. There are also still in existence a few special loans, such as certain railway loans taken up by three Indian Chiefs, and a special 4 per cent. loan taken up by the Maharaja of Gwalior in 1887. Details of these loans are not given here as they are not negotiable, and are not held by the public at large.

Sterling Debt. 16. Besides the above rupee loans, the national debt of India consists of some £178 millions of sterling debt. In former years India was obliged to depend to a large extent on her borrowings in London to finance her expenditure on railways and irrigation, and the present sterling debt for the most part represents such of those loans as are still outstanding. It includes, however, £7½ millions borrowed in April, 1921, in the form of 7 per cent. ten-year bonds.

These sterling loans are of little concern to investors in India, and it is sufficient to give details of the three principal loans, namely :—

- (1) India $3\frac{1}{2}$ per cent. stock, of which the amount outstanding on 31st March 1921 was about £89¼ millions ;
- (2) India 3 per cent. stock, of which the amount outstanding on that date was about £64½ millions ;
- (3) India $2\frac{1}{2}$ per cent. stock, of which the amount outstanding on that date was about £11½ millions.

The remainder of the sterling debt is made up of certain

railway debenture stocks, of which the amounts in each case are comparatively small.

17. During the past few years India has necessarily had to depend far more on her own resources and the subscriptions to the rupee loans floated during the war and in subsequent years have shown how large these resources are. Previous to the war, the maximum amount raised in any year by rupee loans in recent years was $4\frac{1}{2}$ crores in 1906. After the war, $6\frac{3}{4}$ crores were raised by the 4 per cent. Conversion Loan of 1916, while the War Loan operations of 1917 and 1918 yielded about 52 and 55 crores respectively. The 5 per cent. loan of 1919 yielded over 20 crores, including about 2 crores of War Bonds converted, and the 6 per cent. bonds of 1920 yielded over 29 crores, including about $17\frac{1}{2}$ crores of War Bonds 1920 and 1921 converted.

CHAPTER III.

DESCRIPTION OF SECURITIES ISSUED.

Nature of securities issued.

18. The three main forms in which the rupee debt is held are :—(i) *Stock* or, as it is sometimes called *Book Debt* ; (ii) *Bearer Bonds* ; (iii) *Promissory Notes*.

(i) When debt is held in the form of *Stock*, the owner is given a certificate to the effect that he has been registered in the books of the Public Debt Office as the proprietor of a certain amount of Government stock. This certificate is known as a *Stock Certificate*, and it is by that name that this form of debt is generally known and will be referred to in this book.

(ii) A *Bearer Bond* certifies that the bearer is entitled to a certain sum of rupees in respect of the loan to which the bond relates.

(iii) A *Promissory Note* contains a promise by the Governor-General in Council, on behalf of the Secretary of State for India, to pay a certain person a specified sum either on a specified date or after certain notice (according to the terms of the particular loan to which the promissory note relates), and to pay interest thereon at a certain rate half-yearly on certain specified dates.

Each of the above three forms of security is convertible by the holder into either of the other two, subject to the rules and conditions given in Appendix I.

Comparison of the three principal forms of securities.

19. The chief characteristics and relative advantages of the above three forms of Government securities are as follows :—

(i) *Stock Certificate*.—The ownership of Government stock depends, not on the possession of a stock certificate, but on the fact that the owner's name is registered in the books of the Public Debt Office as being the proprietor of so much stock. The sale, handing over, or endorsement of the certificate does not effect a change of ownership, which can only be carried out by

means of a transfer deed, upon execution of which the transferee's name is substituted for that of the transferor in the Public Debt books. It follows, therefore, and this is the essential characteristic of this form of public debt, that the owner of Government stock possesses a practically complete security against loss by theft, fire, etc. A stock certificate is of no value in the hands of a wrongful holder, and the risk arising from the possession of other forms of negotiable securities is thereby avoided; while an owner of stock who loses his certificate can always obtain a fresh one by reporting to the Public Debt Office the circumstances in which the loss occurred. The transfer deed, execution of which is necessary to effect a change of ownership, is merely a printed form, copies of which are obtainable at any Public Debt Office (or the blank form printed on the back of the certificate itself can be used for this purpose); it does not require to be stamped, and its execution involves no expense and no formality beyond the filling up of the form and its signature, before a witness, by the two parties. This form of security is also convenient where the holder desires that he may be described in the books of the Public Debt Office with respect to the stock as a trustee or as the holder of any office—*vide* the notes under para. 45 and clause (d) of para 67.

A further advantage of holding debt in this form is that interest is paid on warrants which are made payable at whatever treasury or sub-treasury the owner of the stock desires, payment being made upon such warrants without the production of the stock certificate itself. These

interest warrants are sent to the treasury or sub-treasury at which interest is payable, or direct to the owner of the stock or to his bank or agent, at the option of the owner of the stock.

Stock is thus a particularly convenient form in which to hold Government securities for those investors who are not likely to require to sell their holding in the near future.

- (ii) *Bearer Bonds*.—As their title indicates, these bonds are payable to bearer, and, so far as Government is concerned, possession is sufficient to constitute ownership, transference of which can be effected without any formalities and by the mere handing over of the bond by the transferor to the transferee. When the loan, in respect of which the bond has been issued, falls due for payment, payment of the amount due on the bond will be made to the actual presenter, just as is done when a currency note is presented for encashment at a Currency Office, without any enquiry as to the status or title of the presenter, and with no regard to any endorsement that may appear on the bond. The essential characteristic, therefore, of a bearer bond is the absolute freedom with which it can be negotiated,

Similarly, as in the case of stock certificates, holders of bearer bonds are not required to present them, either in person or by an agent, when the interest falls due. Interest coupons are attached to each bond, and payment is made on due date to the presenter of a coupon at the Public Debt Office or at the treasury at which the bond is registered for payment of the coupons, or at any sub-treasury subordinate to such treasury.

- (iii) *Promissory Notes*.—A promissory note is negotiable by endorsement, cages for which are printed on

the back of each note. Interest is payable at the treasury on which the note is enfaced for payment of interest, or at any sub-treasury subordinate to such treasury, on presentation of the note itself.

20. In several respects, therefore, a promissory note stands mid-way between the other two forms of Government securities ; thus,

(a) As regards security against loss, a promissory note is less secure than a stock certificate but more secure than a bearer bond. A stock certificate, as stated above, is of no value in the hands of a wrongful holder. A person who has obtained possession of a promissory note belonging to another person can use it to his advantage, but only if he is prepared to forge an endorsement or to impersonate the rightful owner, and the precautions (such as the scrutiny of endorsements) which are taken at Government offices, when promissory notes are presented thereat, render such acts dangerous. It is, however, easy for the wrongful holder of a bearer bond to dispose of it readily, and the only complete safeguard against the loss of a bond by theft or misappropriation is safe-custody.

(b) On the other hand, as regards negotiability, a promissory note is negotiable somewhat more readily than a stock certificate (though only to the extent by which an endorsement by the vendor of a promissory note is simpler than the signature by both parties of the form of transfer of a stock certificate and the subsequent registration of the transfer in the books of the Public Debt Office) and less readily than a bearer bond, ownership of which passes simply by transference of the bond itself.

A promissory note is thus a compromise between the two extremes of complete security and immediate negotiability, and it is probably due to this fact that this form of Government security has hitherto proved the most popular of the three, more especially among those classes of investors who are not yet conversant with modern business methods and who at the same time possess few facilities for the safe-custody of valuable documents.

Denominations in which the three main forms of securities are issued.

21. Stock certificates and promissory notes are issued in respect of any loan and of any denomination subject to the condition that this is a multiple of Rs. 100. In the case, however, of promissory notes and stock certificates of the Indian War Loans purchased through the Post Office, smaller denominations, *viz.*, for Rs. 25 or multiples thereof, have been issued.

Bearer bonds are of denominations of Rs. 100, Rs. 500, Rs. 1,000, Rs. 5,000, and Rs. 25,000 and are issued in respect of the following rupee loans :—

- (i) The $3\frac{1}{2}$ per cent. loan of 1854-55,
- (ii) The 4 per cent. terminable loan of 1915-16, and
- (iii) All loans issued between 1915 and 1920 inclusive.

Other forms of Government securities.

22. *Treasury Bills and Post Office Cash Certificates* are also forms of Government securities.

Treasury Bills, when issued, are in respect of temporary borrowing by the Government of India, and usually have a currency of from three to twelve months. They are sold at a discount, and are paid at maturity at their full face value, the difference representing the yield on the investment. The lowest denomination issued is for Rs. 5,000. Their sale and payment at maturity are managed by the Imperial Bank of India and any person who wishes to know more about them should enquire at the local branch of the Imperial Bank of India, or, if there is no such branch, at the Local Head Office of the Bank at Calcutta, Madras, or Bombay.

23. *Post Office Cash Certificates* are specially intended Cash Certificates to facilitate the investment of small amounts and to encourage saving among people of small incomes. They have a currency of five years, at the expiry of which they will be repaid. The profit to the investor consists in the fact that they are sold for an amount less than the face value, thus, cash certificates of denominations of Rs. 10, Rs. 20, Rs. 50, Rs. 100, and Rs. 500, can at present be obtained on payment of Rs. 7-12, Rs. 15-8, Rs. 38-12, Rs. 77-8 and Rs. 387-8 respectively. The maximum amount for which certificates may be held by any one person is Rs. 10,000 face value. The special attraction of these cash certificates is that the investor's money is not necessarily locked up for the full term of five years. He can, if he wishes, obtain payment at any time during the currency of the certificate, and he will then receive an amount which, according to the time he has held the certificate, gradually increases at compound interest from the original purchase price up to the full face value of the certificate at the end of five years. At the present rates the yield to the investor ranges from 4 per cent. a year, if he presents it for payment after having held it for one year only, to $5\frac{1}{4}$ per cent. a year if he holds it for the full five years. The investor's profit is not subject to income-tax. These certificates are for sale all the year round and can be obtained at any Post Office which does savings bank business, and payment of the amount due can also be obtained at any such office; if the office at which payment is claimed is the office at which the certificate was originally issued, payment will be made at once, otherwise investors will have to wait for a few days until the office of issue has been communicated with, and verification obtained of the particulars of the certificate. Further details regarding the sale, transfer, discharge, etc., of these certificates are given in the Post and Telegraph Guide.

CHAPTER IV.

HOW TO INVEST IN GOVERNMENT SECURITIES.

24. People who wish to invest in Government securities can either buy from other people securities which are already in existence, or, when Government is floating a loan, they can invest direct in the securities of that loan. The following two paragraphs have reference to the purchase of securities already in existence.

Purchase of securities. 25. In the Presidency towns, and in some other cities, there are firms of respectable brokers whose business it is to find purchasers for persons wishing to sell securities and to find sellers for intending purchasers. The Imperial Bank of India, moreover, always has a stock of Government paper for sale, and an investor has merely to go to one of the Local Head Offices or branches of the Bank who will then do the needful. When, however, the investor lives at a place where there is no branch of the Imperial Bank of India, Government allow facilities for the remittance of his money from that place to the Local Head Office of the Bank at Calcutta Bombay, or Madras, as the case may be, provided that the amount in question is not below Rs. 5,000. Such an investor should take his money to the treasury, and he will then be given what is called a "Remittance Transfer Receipt" payable to the Local Head Office of the Bank, and no commission is charged on the remittance. He should then send the Remittance Transfer Receipt to the Bank with instructions as to the particular kind of security he wants.

Purchase through the Post Office. 26. For investors of small amounts the facilities offered for purchasing securities through the Post Office are of great convenience. The rules regarding investments through the

Post Office are reproduced in Appendix II, to which attention is invited. The advantages of making investments in this way, and the more important points connected with the procedure, are for convenience summarised below :—

- (1) On application at any Post Office which does savings bank business, the money will be invested in Government securities by the Accountant-General, Posts and Telegraphs, at the current market rate of the day and, if the investor is already a depositor in the Post Office Savings Bank, the investment may be made from the amount at his credit.
- (2) The total amount which may be invested in existing securities through the Post Office by any individual in any one financial year is Rs. 5,000.
- (3) Investors have the option of taking delivery of the securities so purchased, or of leaving them in the custody of the Accountant-General, Posts and Telegraphs. In the former case, the paper will be delivered to him endorsed in his favour and enfaced for payment of interest at the local treasury or sub-treasury. In the latter case, he obtains certain advantages, namely, he has no trouble about the drawing of interest, as this will be drawn on his behalf and credited to his account at the local Post Office Savings Bank, and such interest is in all cases exempt from income-tax.
- (4) Similarly, any investor who has purchased securities through the Post Office may, subject to certain conditions mentioned in rule 7 of Appendix II, sell them through the same agency.
- (5) No fee, commission or brokerage of any kind is charged for the purchase, sale, or safe custody of Government securities bought through the Post Office or for the realisation and remittance of interest thereon.

Direct invest-
ment in a
loan.

27. As regards direct investment in a loan during the period that it is open for subscription, this is much easier than was formerly the case. An investor can now apply, not only at a Local Head Office or any branch of the Imperial Bank of India, but also at any treasury or sub-treasury, during the period that the loan is open for subscription. He is given a receipt for his money, and he receives the securities, shortly afterwards, endorsed in his favour and enfaced for payment of interest at whatever treasury or sub-treasury he wishes.

With effect from 1915, special facilities have been given to investors of small amounts to subscribe through the agency of the Post Office. It has been possible to purchase stock or promissory notes of recent loans in denominations of Rs. 100 and multiples thereof at any Post Office conducting Savings Bank business, subject to a maximum investment by any one person of Rs. 10,000 in each loan. Securities so purchased may be held for the owner in the custody of the Accountant-General, Posts and Telegraphs, in the manner described in paragraph 26, subject to the limit of Rs. 22,500 when the securities are of a loan the interest on which is not exempt from income-tax.

Public Debt
administra-
tion.

28. The administration of the public debt and the maintenance of the accounts relating thereto are vested in the central Public Debt Office, Calcutta, which is managed on behalf of Government by the Imperial Bank of India and which works under the general instructions of the Controller of the Currency. Certain functions of the central Public Debt Office have been delegated to the Public Debt Offices at Bombay and Madras, which are also managed by the Imperial Bank of India. A substantial and important part of the work falls, however, on the district treasuries, and Treasury Officers have been instructed by Government as to the procedure to be followed whenever securities are presented at a treasury either for payment of interest or for some other

purpose. Holders of securities, or intending investors, who wish for any information not contained in this Guide Book, should enquire at the Imperial Bank of India, or, where there is no branch of the Imperial Bank of India, at the treasury. Should the Treasury Officer be unable to supply the desired information, the Public Debt Office at Calcutta, Bombay or Madras should be addressed.

CHAPTER V.

HOW TO DRAW INTEREST.

(A) *Stock Certificates.*

Method and
place of
payment.

29. Interest on stock certificates is paid on cheques (generally known as “interest warrants”) issued by the Public Debt Office on whose books the stock certificate is registered, and payable at Calcutta, Bombay or Madras, as the case may be. Stock may, on application of the proprietor, be transferred from one Public Debt Office to another. If so desired by the proprietor of the stock, warrants will be made payable at any treasury or sub-treasury, or in a State in India, at the Head Post Office if there is no British treasury, or if there is no Head Post Office, at any Post Office designated by the Governor-General in Council in this behalf.* When a person is registered in the books of the Public Debt Office as the proprietor of a certain amount of stock, a “Dividend Request Form” is sent to him to fill in, so that he may intimate (1) the place at which he wishes to draw interest, and (2) the address at which the interest warrants are to be sent to him, or to his banker or agent. If he so desires, interest warrants will be sent to him care of the Treasury Officer or Sub-treasury Officer at the place of payment. When the proprietor or his agent has received the interest warrant, he should present it for payment at the Public Debt Office or treasury or sub-treasury at which it is payable. Stock certificates may be held by two or more persons jointly, and any one or more of them can receive interest thereon under a joint holder’s power of attorney

* NOTE.—The Governor-General in Council has directed that warrants for the payment of interest on stock certificates may be made payable at the Gangtok Post Office.

which is free from stamp duty. In no case is presentation of the stock certificate itself necessary, when the interest is drawn.

(B) *Bearer Bonds.*

30. Bearer bonds have attached to them a number of interest coupons, which are detachable. Each coupon relates to the interest for one half-year, and bears on its face the date on which it is payable. Interest for each half-year is payable, without presentation of the bond itself, to any person who presents the relevant coupon at the Local Head Office of the Imperial Bank at Calcutta, Bombay or Madras, according to the domicile of the bond (*vide* the next paragraph) or at the treasury at which the bond is registered for payment of the coupons. When a bond has been registered for payment at a treasury, the Treasury Officer will, if the holder so desires, arrange for payment of the coupons at any sub-treasury subordinate to his treasury (*vide* paragraph 33).

31. (a) Each bond is regarded as domiciled at one of the Public Debt Offices, *viz.*, Calcutta, Bombay or Madras, and, in the absence of any other arrangement, the coupons are payable at the place of domicile of the bond. Any holder can, however, by applying to the Public Debt Office of domicile (either direct or through the Treasury Officer concerned) arrange for his bond to be registered for payment of the coupons at any treasury within the sphere of the Public Debt Office concerned, and the latter will instruct the Treasury Officer accordingly. Should the holder subsequently desire the coupons to be made payable at a different treasury, within the sphere of the same Public Debt Office, transfer of registration will be permitted on application being made therefor.

(b) The domicile of a bond may be transferred from one Public Debt Office to another, on application (which may be made direct or through the Treasury Officer concerned) either

to the Public Debt Office on whose books the bond stands, or to the Public Debt Office to which it is desired to transfer it. Thereafter, the coupons will be payable at the latter Public Debt Office, or, at the holder's option, at any treasury subordinate thereto which he may select.

(c) Notwithstanding any arrangement made under the preceding paragraphs, payment of coupons on due date will never be refused at the Public Debt Office of domicile, even though the bond to which they belong may be registered for payment of coupons at a treasury.

32. In drawing interest, the holder of the bond has only to present the relevant coupon. This has printed on it sufficient particulars to identify the bond to which it relates, and it is unnecessary to present the bond itself. The holder has merely to cut off the particular coupon or coupons that are due and take or send them to the office of payment. Treasury and other officers paying coupons will satisfy themselves that the coupon is genuine, and that it relates to a bond the coupons of which are payable at that particular office; it is not their business to enquire who is the holder of the bond or whether the person presenting the coupon is or is not the lawful owner.

Payment at
sub-
treasuries.

33. When a bond has been registered for payment of coupons at a treasury, the coupons may, on application being made to the Treasury Officer, be made payable at any sub-treasury subordinate to such treasury. The Treasury Officer will issue an order to the Sub-treasury Officer, giving the particulars of the bond. On presentation of a coupon, the Sub-treasury Officer will satisfy himself, by reference to the particulars printed on it, that the bond to which it belongs is one regarding which he has received instructions to pay coupons, and that the coupon is due for payment.

(C) *Promissory Notes.*

Place of
payment.

34. According to the wording of their promissory notes the Government of India are legally liable to pay interest

only at "The General Treasury at Fort William," *i.e.*, at the Local Head Office of the Imperial Bank of India at Calcutta. Interest can, however, be made payable (*a*) at the Local Head Office of the Imperial Bank of India at Bombay and Madras, or (*b*) at any treasury or sub-treasury. In such cases, enfacements are made, lengthways across the face of the note, to the effect that interest is payable at the place named, and, when such enfacement has been made, the holder can obtain payment of interest at that place, upon presentation of the note.

35. (*a*) The Public Debt Office, Calcutta, will enface notes for payment of interest at Bombay or Madras, or at any treasury or sub-treasury and will re-enface notes so enfaced for payment of interest at Calcutta.

(*b*) Notes enfaced for payment of interest at the Local Head Offices of the Imperial Bank of India, Bombay and Madras, may be re-enfaced :—

- (*i*) by the Local Head Office, Bombay, for payment of interest at any treasury or sub-treasury ;
- (*ii*) by the Local Head Office, Madras, for payment of interest at any treasury or sub-treasury ;
- (*iii*) by either Local Head Office for payment of interest at the other.

(*c*) Notes enfaced for payment of interest at any treasury or sub-treasury in the Bombay or Madras Presidency may be re-enfaced for payment of interest at Bombay or Madras, as the case may be, either by the Public Debt Office concerned or by the Treasury Officer.

36. The Government of India are responsible for the payment of interest to the actual owner of the note. As the ownership of a promissory note is transferable by mere endorsement, it is necessary, in the interests both of Government and of holders, that endorsements should be scrutinised carefully by the officers making payment of interest, in order to see that payment is made to the right person or to

Scrutiny of
endorsements
before pay-
ment of
interest.

his duly authorised agent. It is not merely the last endorsement which needs scrutiny; the note may have changed ownership several times, and, although the last endorsement may itself be in proper form, and the last endorsee's title good as against that of the next preceding owner, the latter's title may itself be defective, by reason of some legal defect in earlier endorsements. It is for this reason that Government officers have been instructed to refuse payment of interest unless all the endorsements are valid and unless these show that the person by, or on whose behalf, interest is claimed is the lawful owner of the note. In the particular case of payment of interest at treasuries, Treasury Officers have been instructed that, if the endorsements are not in one of the recognised forms, or if there is any doubt as to the validity of any one of them, or as to the ownership of the note, they should refuse payment of interest and instruct the claimant to get the note renewed in his favour by the Public Debt Office, as described in Chapter VII. In Chapter VI an account is given of those endorsements which are recognised as valid, and those which are either invalid, or whose validity is so doubtful that payment of interest will not be made until the Public Debt Office has been given an opportunity of examining the claimant's title.

Conditions
on which
payment of
interest will
be made at
treasuries.

37. Payment of interest will not be made at a treasury unless the following conditions are fulfilled :—

- (1) That the note has been duly enfaced for payment of interest at that treasury.
- (2) That the endorsements on the note are regular and in proper form and that there is no doubt as to its ownership.
- (3) That, if the person claiming payment of interest is not the last endorsee, but claims as heir, executor, administrator of the estate, guardian, or attorney of the last endorsee, the necessary documents in support of such claim, as set forth in paragraph 49, have been produced and registered at the

treasury. (In the case, however, of notes belonging to minors this condition is relaxed, as described in paragraph 38.)

- (4) That all endorsements are clear and distinct; that at least one endorsement cage, as well as the renewal cage, has been left blank; that no word or words are written upon the note across any existing endorsement; and that there are no cross-endorsements.
- (5) That the note itself is not mutilated or torn, or in any way damaged or defective. (Division into an upper or lower half does not reckon as mutilation if the two halves are firmly rejoined.)
- (6) That interest has not been left undrawn for ten years.

38. When notes stand in the name of a minor or a lunatic who is incapable of managing his affairs, certain concessions are permitted as follows :—

Special concessions in the case of notes belonging to minors and lunatics.

- (1) When the nominal value of the notes standing in the name of the minor or lunatic does not exceed Rs. 5,000 and when the person who wishes to draw interest is the father, or, if the father be dead, the mother, of the minor or lunatic, interest will be paid without question, so long as the officer paying the interest is satisfied as to the identity of the father or mother. In the case of payment at a place other than that at which such minor or lunatic or his father or mother ordinarily resides, a certificate of identity signed by any Magistrate will be accepted.
- (2) When the applicant for interest is neither the father nor the mother, *and* when the value of the notes standing in the minor's name does not exceed Rs. 5,000, a certificate of the District Magistrate to the effect that the applicant is the actual guardian of the minor will be accepted.

- (3) When the value of the notes exceeds Rs. 5,000 it is not desirable in the interests of minors themselves, to relax the ordinary rule, in other words, a Guardianship Certificate, granted by a competent court under the Guardians and Wards Act must be produced and registered.

Procedure
for drawing
interest.

39. (a) At the Public Debt Offices and at many treasuries the half-yearly payments of interest are very numerous, and holders of notes, who can do so without inconvenience, should send in their notes a few days before the interest actually falls due, so that any preliminary examination required may not result in payment being delayed after the due date.

(b) Investors who wish to draw interest are given a form of receipt to fill in, and the following points should be borne in mind :—

- (i) A separate receipt must be given for the notes of each loan; but any number of notes of the same loan may be entered in the same receipt if the interest is payable to the same person.
- (ii) The whole of the interest due on a note must always be taken, partial payments are not allowed.
- (iii) Receipts for interest on Government securities are exempt from stamp duty.
- (iv) Signatures in any Indian vernacular must be translated, and a vernacular receipt by a woman must be attested by some respectable person as to whose identity the Treasury or Sub-treasury Officer is satisfied.

(c) The personal attendance of the holder is not necessary but the Treasury Officer will satisfy himself that the receipt is a valid quittance, *i.e.*, has been signed by the person to whom payment is due, or by a duly authorised agent.

Payment of
interest at
sub-treasuries.

40. When a note is enfaced for payment of interest at a treasury, and the holder desires interest to be paid at a

sub-treasury subordinate thereto, or when a note is enfaced for payment at a sub-treasury and the holder desires interest to be paid at the district treasury or another sub-treasury subordinate thereto, he should apply to the Treasury Officer to that effect. The Treasury Officer will arrange for payment of interest at a sub-treasury so long as the note remains in the name of the then holder. On any change of ownership, however, payment of interest will not be continued at the sub-treasury unless the new owner makes a fresh application to the Treasury Officer, who, if he is satisfied that the transferring endorsement is in order, will issue a fresh authorisation to the sub-treasury to pay interest to the new owner.

CHAPTER VI.

ENDORSEMENTS ON PROMISSORY NOTES.

Change of
ownership
effected by
endorsement.

41. It has already been mentioned that promissory notes are transferable by endorsement. No endorsement will be recognised which is made otherwise than on the note itself, for example, on a piece of paper attached to the note. Every endorsement must be written, clearly and legibly, in one of the endorsement cages provided for the purpose on the back of the note.

Scrutiny of
endorsements.

42. In paragraph 36 of the preceding chapter it was pointed out that endorsements on promissory notes are scrutinised carefully at treasuries and other Government offices, in order to see that the person by or on whose behalf interest is claimed, is in fact the lawful owner of the note. Purchasers of promissory notes are recommended to take similar precautions, and whenever there is any doubt as to the ownership of a note or the validity of any endorsement thereon, it should not be accepted until the vendor has had it renewed by the Public Debt Office; otherwise the purchaser may find that he has bought something which does not legally belong to the vendor, and when he comes to present the note at a Government office for payment of interest, or for repayment of the capital sum at maturity of the loan, he may find that Government will not recognise his own title to the note. The succeeding paragraphs in this chapter will show what endorsements can be accepted without question and those which should not be recognised.

Valid
forms of
endorsement.

43. An endorsement consists of two parts, *viz.*, (1) the pay-order, containing the name of the endorsee, and (2) the signature of the endorser. It will be convenient to consider these separately.

The pay-order should be worded in one of the following ways:—

- (1) "Pay to A."
- (2) "Pay to A or order."
- (3) "Pay to A and B, jointly."
- (4) "Pay to A and B or their joint order."
- (5) "Pay to A or B."
- (6) "Pay to A or B or order."
- (7) "Pay to A and B or either of them."
- (8) "Pay to A and B or either of them or order."
- (9) "Pay to A, B, C, D and E or to any one (or more) of them."
- (10) "Pay to A, B, C, D and E or to any one (or more) of them or order."

And the signature should in each case be that of the person or persons legally qualified to dispose of the note, as described in the succeeding paragraphs. It does not necessarily follow that, if an endorsement is not worded as above, it is illegal, but its legality will at least be doubtful, and caution should be exercised before accepting a note which contains an endorsement not in one of the ordinary forms. For example, an endorsement worded "Pay to A for B" will not be recognised by Government, and such an endorsement may possibly invalidate the title of each subsequent holder of the note.

Of the above forms, (1) and (2) are called *simple endorsements*, (3) and (4) are called *joint endorsements*, and any one of the persons named therein is called a "joint holder." Endorsements in any of the forms (5) to (10) inclusive are called *alternative endorsements*.

Assuming that a note has already been validly endorsed in favour of A, B, C, etc., as in the previous paragraphs, it remains to be seen how any fresh endorsement must be signed, in order to make a valid transfer of the note from the last endorsee or endorsees, A, B, C, etc., to another party. There are four separate cases to consider.

By whom an endorsement must be signed.

44. I. *Where A, B, C, etc., are personal names, without the addition of any description indicating official capacity, legal status, etc.*

(i) *Simple endorsements.*—(a) If the note is endorsed by A himself, and if the signature is in English, it will be sufficient to see that there is no reason to question it. If the signature be in any Indian vernacular, it should be transliterated into English and agree with the name in the previous endorsement, or on the face of the note, as the case may be. If the signature is that of a woman, attention should be paid to what is said in paragraph 53.

(b) If the note is not endorsed by A himself, or in the case of a person unable to write by a magistrate on his behalf in accordance with paragraph 54, the endorsement is valid only if the signature is that of a person who has the legal right to dispose of the note on behalf of A or A's estate. Thus, the signature may be that of A's guardian, heir, executor, or attorney or the administrator of his estate. In all such cases it is necessary to see that such person's claim to act in such capacity is valid. Information as to the steps which must be taken, and the documents which must be produced, before Government will recognise endorsements by such persons, are given in paragraphs 49 to 52.

(ii) *Joint endorsements.*—Except as stated below, the signature of each of the joint holders is necessary, and in respect of each such signature the same rules apply as for simple endorsements. If, however, one of the joint holders dies, then, under section 4 of the Indian Securities Act, the right to dispose of the note lapses to the survivor or survivors and in that case an endorsement by such survivor or survivors (as the case may be) will be recognised, provided satisfactory proof of death has been produced.

(iii) *Alternative endorsements.*—In these cases, the note may be validly disposed of by either A, or B, or C, etc., acting

singly, unless the endorsement has made the note payable to more than one of the holders, *e.g.*, "Pay to A, B, C, and D, or to any two of them," in which case the signatures of the specified number of the holders must appear before the note can be regarded as having been validly transferred.

45. II. *Where A, B, C, etc., are personal names, but with the addition of some description indicating official capacity or legal status, etc.*

For example, the last endorsement may have been like this :—

“ Pay to A, Secretary of the Sanatan Dharm Sabha ”
 or “ Pay to A, Accountant-General, Bengal ”
 or “ Pay to A, Managing Director of Company,
 Limited ”

and so forth.

The general rule in such cases is to disregard entirely the designation added after the name, and to treat the note in all respects as if it were the personal property of A. Government does not undertake the responsibility of making an enquiry as to who is the person actually holding the office or position so described, and if any person, other than A, claims to be qualified to dispose of the note, not as A's heir, executor, or personal representative, but as being A's successor in such office or position, his claim (and therefore that of any subsequent holder who derives ownership from him) will not be recognised by Government.

In such cases the proper thing for A to do, on vacating his office, is to transfer the note, by a personal endorsement in favour of his successor.

To this rule, however, there are two exceptions:—

When the designation, added after the personal name, is that of a Government officer, the personal name may be disregarded in certain cases.

The second exception is the case of the administration of an estate. For example, if a note has been endorsed "Pay to A, executor of B," or "Pay to A, administrator of

B's estate," it may be validly transferred by A to another party, provided :—

- (1) A signs himself as executor of B, or administrator of B's estate, and
- (2) A has produced the necessary documents, establishing his claim to dispose of B's property, as laid down in paragraphs 49 to 52.

NOTE.—Persons holding securities in their official capacity will probably find it advantageous to take advantage of the rule by which stock may be registered in the name of an office and dealt in by the holder of the office for the time being [*vide* paragraph 67 (d)].

46. III. *Where A, B, C, etc., are personal names, but represent the name of a mercantile firm.*

For example :—

“ Pay to Thos. Cook and Son.”

“ Pay to Messrs. Sant Ram, Anant Ram.”

When a note, so endorsed, is transferred, it should be seen that the transferring endorsement bears the usual signature of the firm. In the case of a well-known firm this will probably present no difficulty, but in other cases special care should be taken not to recognise the endorsement as valid until the signature has been verified.

47. IV. *Where A, B, C, etc., are not personal names.*

Thus, a note may have been endorsed in favour of a Bank, or of some other body corporate, such as a Port Trust, Municipality, etc., or of some office-holder. These are dealt with separately below.

(i) *Banks*.—Properly incorporated banks can hold Government securities in their registered name, and the title to promissory notes so held by a bank can be transferred by the endorsement of the Manager or other duly constituted attorney. Most banks have given such authority to their branch Agents. In the case of any well-known bank, purchasers of notes will have no difficulty in ascertaining that the endorsement is signed by the person properly qualified to do so, and, generally speaking, a bank's endorsement is a very safe one to have on a note ; but in all cases of new

banks, or wherever there is any doubt, the note should not be accepted until it has been renewed in the name of the vendor.

(ii) *Other bodies corporate*.—A promissory note may be held and negotiated by any body corporate with perpetual succession and a common seal. In such cases it is necessary to refer to the articles of association, or law, governing the constitution of the body, in order to see who is the person legally qualified to transfer notes which are the property of the body in question. In practice such an enquiry raises so many difficult questions, such as the wording of the Act, bye-laws, etc., by which the public body or corporation is governed, that caution should be exercised regarding a note which contains an endorsement purporting to have been made on behalf of such a body. When, however, the corporation is an old-established body, such as a Port Trust, Municipality, etc., the question as to the office bearer qualified to sign endorsements on its behalf will have been long settled, and will be generally known. But in other cases, and particularly when the body is new or is little known (*e.g.*, if a note stands in the name of such a body as “The Society for the promotion of widow re-marriage”), it would be safer not to accept the endorsement.

(iii) *Office holders*.—Subject to the important exception mentioned below, an endorsement in favour of an office-holder (*e.g.*, Pay to the Secretary of the Budgepur Dispensary) should not be recognised. Government does not accept the responsibility for being put on enquiry as to who is the actual holder of the office at the time.

The exception to this rule is the case of the holders of certain Government offices; in such cases a note may be validly endorsed to or by the holder of the office for the time being. Certain officials of Foreign States have also been permitted to hold securities similarly.

48. In paragraph 43 it was said that endorsements, in Trusts. which the pay order is not in one of the forms there

mentioned, should not be recognised. A common form of such irregular endorsements is that in which mention is made of a trust, *e.g.*, "Pay to A, Trustee for B," or "Pay to A, Guardian of B," or "Pay to Judge of A, on account of B's security." Government does not undertake any responsibility as regards such endorsements; if they did so, they would not be discharged of their liability, in respect of their original undertaking, by simply making the payment to A, for he may have ceased to be B's trustee, and Government would be accepting an obligation which would lead to much trouble. It is for this reason that section 3 of the Indian Securities Act lays down that no notice of any trust, in respect of any Government security, shall be receivable by Government. Persons who endorse notes in such a way, or who purchase or receive notes so endorsed, do so, therefore, at their own risk. The words, in such endorsements, indicating the trust, will be regarded by Government as so much surplusage, and whenever such a note is endorsed to or by A as a trustee, or in any similar capacity, he will be treated in all respects as the owner of the note in his personal capacity. If a person receives a note which has been endorsed to him *as trustee*, he will be well advised to get it renewed in the name of the beneficiary, or to apply to the Public Debt Office for conversion of the promissory note into stock registered in his name as trustee, in order to protect himself against any liability which he might otherwise incur, in respect of his trusteeship, owing to his having dealt with the notes in his personal capacity. This is particularly desirable in the case of a guardian, who should always get a note, which has been made payable to him in his capacity of guardian, renewed in favour of the minor thus "Pay to B under the guardianship of A." Before issuing a new note in that form, the Public Debt Office will satisfy itself that A is the lawful guardian of B, thereby safeguarding the minor's interests.

49. In paragraph 44 (i) (b) it was pointed out that, if a note is endorsed by some person other than the last endorsee, the endorsement is valid only if the signature is that of a person who has a legal right to dispose of the note on behalf of the last endorsee or of the latter's estate, and that documents must be produced to prove that such person has that right. The following documents are necessary when the claim is to deal with a note in the capacity of—

Production and registration of documents to establish a claim to deal with notes by a person other than the last endorsee.

- (1) *Heir*.—A Succession certificate granted under one of the Succession Certificate Acts, *viz.*, Act XXVII of 1860 (since repealed) or Act VII of 1889.
- (2) *Executor or Administrator*.—Probate or Letters of Administration, granted by a competent court under the provisions of the Indian Succession Act (Act X of 1865), or the Probate and Administration Act (Act V of 1881).

NOTE.—In the following cases the person having the right to deal in promissory notes standing in the name of a deceased person may in certain circumstances obtain renewal of the notes in accordance with paragraph 62 without going to the expense and trouble of obtaining any of the documents mentioned above :—

- (a) If the deceased holder was a member of a Hindu undivided family governed by the *Mitakshara* law.
- (b) If the face value of the securities held by the deceased person does not in the aggregate exceed Rs. 5,000.
- (3) *Guardian*.—A guardianship certificate granted by a competent court under the provisions of the Guardians and Wards Act (Act VIII of 1890).
- (4) *Attorney*.—A properly executed power-of-attorney (including a sale-power). In this case, however, the examination of the document is usually a matter of some difficulty involving the interpretation of legal terms, and Treasury Officers are not permitted to recognise, on their own authority and without reference to the Public Debt Office, a power-of-attorney purporting to convey full powers to sell or otherwise transfer securities.

50. These documents must be produced and registered at the Public Debt Office or treasury at which the notes are enfaced for payment of interest.

Other
documents.

51. Besides the above mentioned documents, other documents are frequently required to be produced in connection with promissory notes. Such are:—

- (1) Documents relating to the proof of death of a joint holder [*vide* paragraph 44 (ii)].
- (2) Certificate of incorporation of a body corporate, or articles of association, or similar documents (*vide* paragraph 47).
- (3) Certificate of marriage. This may sometimes be necessary, when a note, which has been endorsed in favour of a woman before her marriage, is subsequently re-endorsed by her in her married name. (*Vide* paragraph 53.)

52. In all cases where documents are produced, the officer who registers them will note the fact and date of registration and the nature and extent of the power conveyed below the endorsements to which the document relates, and when this has been done, such endorsements will be accepted by Government as valid.

Endorse-
ments by
women.

53. If an endorsement is signed by a woman, and the signature is in English, it will ordinarily be sufficient to adopt the same precautions as in the case of an endorsement by a man ; though if a note, which has been endorsed to a woman before her marriage, is subsequently re-endorsed by her in her married name, it may sometimes be necessary, unless the purchaser is satisfied that she is the actual person named in the previous endorsement, to require a certificate or other proof of marriage, and Government officers have been authorised, before paying interest on such a note or admitting the validity of such an endorsement, to require such proof, should they think it necessary. If the endorsement is in a vernacular, and if the woman goes out in public

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she will be asked to come to the treasury and to verify her signature, whereupon the Treasury Officer will write "Verified" under the signature and affix his initials and designation.

But if the woman is *pardanashin*, or if she does not go out in public to an extent which would enable her to attend personally at the treasury, it is necessary, for the protection of the interests both of Government and of the holder herself that her signature should be attested by the signatures of two respectable witnesses, who must appear before the Superintendent of the Public Debt Office, or a Treasury Officer, or Justice of the Peace, or any Magistrate, to testify to the genuineness of the endorsement. Such officer will then authenticate the examination and the endorsement will then be accepted by Government.

54. If the holder of a promissory note satisfies a Magistrate that he is for any reason unable to write and that he is the person whom he represents himself to be, the Magistrate may, at the request of the holder, sign the endorsement on his behalf, if he is satisfied that the holder fully understands the effect of the endorsement. The Magistrate must sign the endorsement in the presence of the holder and enter below his signature a certificate to the effect that the endorsement was signed at the request of the holder after being read over to him and that he is satisfied that the effect of the endorsement is fully understood by the holder.

Endorsement
by persons
unable to
write.

Special Notes for Indian States.

55. These are issued to Indian Chiefs, in order to make available to the latter certain special privileges, *viz.* :—

Special Note
for Indian
States.

- (a) The notes, being issued in the name of the Chief and his successors, devolve by mere succession to the Raj, without legal administration or other formality;
- (b) Interest upon these notes is exempt from income-tax and super-tax;

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The issue of these special notes is subject to the following conditions :—

- (i) They are issued only in favour of Chiefs of Indian States, whose admission to the privilege has been sanctioned by the Government of India in the Foreign Department.
- (ii) Applications for such notes should be made to the Controller of the Currency by the Political Officer resident in the State, and should quote the order of the Government of India sanctioning the admission of the State to the privilege.
- (iii) Special notes will not be issued if the total amount involved is less than Rs. 50,000.
- (iv) Such notes are negotiable by endorsement, as in the case of ordinary notes, but the transferee must convert them into notes in the ordinary form before he will be allowed to deal with them.
- (v) If such notes are converted into stock certificates or bearer bonds, the special privileges attaching to them are lost.

CHAPTER VII.

RENEWAL OF SECURITIES.

56. This chapter deals with the issue to holders of new securities in exchange for their existing ones ; it does not refer to the issue of duplicate securities to replace those which have been lost or destroyed, information regarding which will be found in paragraph 71.

57. From the description of stock certificates already given it will be seen that in their case no question of renewal arises, for the document is, as its name implies, merely a certificate, and when the ownership of the debt passes to another person, a new certificate is issued in the latter's name. Stock certificates.

58. In the case of bearer bonds, renewal is only necessary, and is only permitted, upon exhaustion of the coupons attached to the bond, in which case application should be made to the Public Debt Office of domicile or to the treasury on which the bond is registered for payment of coupons, the bond being presented with the application. When a bearer bond is presented at a treasury for renewal, the Treasury Officer will, after verifying that the coupons are exhausted, forward the bond, together with the application (which may be in any form) to the Public Debt Office concerned, and will grant the presenter a receipt therefor. No fee is payable in respect of the renewal of a bearer bond. Bearer bonds.

59. In the case of promissory notes renewal may be either optional or compulsory ; in either case it is of considerable importance both to the Government and to the public. The importance arises from the fact that a renewed promissory note is an entirely new contract with the person in whose Promissory notes.

favour it is issued. Consequently, if the old note is not properly discharged, both the old and the new contract remain in force. The holder of a note may, indeed, receipt or discharge it for renewal and get a new note in his own name, but if he is not the person who has power and right to discharge the old note, there will still be claims on Government under it, independently of those under the new note, that is, both will be in legal force at the same time, as the mere issue of a new note does not cancel the old. The Public Debt Office, therefore, is careful not to issue a new engagement until it is satisfied that the cancellation of the old one is in proper legal form and that the person who has receipted it for renewal is legally qualified to discharge Government from all liability thereunder.

[importance
of renewal.

60. The fact that renewal gives a clean title to a note makes the right to claim renewal, that is, to have Government's obligation to the holder admitted and declared, an important one. A person who receives a note may be to some extent doubtful of the validity of the chain of endorsements, but by receipting it for renewal he can always raise the question and have it decided. Similarly, from the point of view of the interests of Government, when a note is presented at a treasury or at any other Government office, and when there is any question as to the validity of the endorsements thereon or as to the ownership of the note, it is obviously desirable that the Public Debt Office should have the opportunity, which renewal affords, of examining the title to the note before any act is done which binds Government to admit the holder's ownership. It is for this reason that Treasury Officers have been instructed to refuse to pay interest whenever any of the endorsements are other than such as can be accepted without question, as set forth in Chapter VI. Treasury and other Government officers who receive notes by endorsement will, therefore, unless the validity of the endorsements is clear and beyond question, have the title

to such notes tested by the Public Debt Office by requiring the holder to apply for renewal.

61. The remarks in previous chapters will have indicated the cases in which the holder of a note will be required to receipt it for renewal before interest will be paid to him or his ownership admitted by Government. Such cases are for convenience brought together and enumerated below :—

When renewal is necessary.

- (1) If only sufficient room remains on the back of the note for one further endorsement, or when any word or words is or are written upon the note across any existing endorsement or endorsements.
- (2) If the note is crowded with writing, or torn, or in any way damaged or defective or unfit, in the opinion of the officer before whom it is produced for payment of interest or for receiving endorsement.
- (3) If the note bears an endorsement which is not in one of the forms enumerated in paragraph 43, or the signature to which is not that of the person or persons mentioned in paragraphs 44 to 47 inclusive as being qualified legally to transfer the note.
- (4) If the note having been enfaced three times for payment of interest is presented for re-enfacement.
- (5) If the endorsements are not clear and distinct, or if there is any endorsement made otherwise than in one of the endorsement cages on the back of the note.
- (6) If in the opinion of the Public Debt Office the title of the person presenting the note is irregular or not fully proved.

62. There are also two cases in which the heirs of deceased holders of promissory notes will find it convenient to apply

Renewal of notes belong.

ing to deceased holders.

for renewal, namely, when the deceased holder belonged to a Hindu undivided family governed by the *Mitakshara* law, or when the deceased holder was in possession of Government securities of which the nominal or face value does not in the aggregate exceed Rs. 5,000. If the title to the notes is not disputed, they can be renewed without the production of probate of a will or letters of administration or a certificate under the Succession Certificate Act, 1889. Renewal, therefore, is the easiest method by which the heir can obtain power to deal with the securities belonging to the deceased person. The procedure is as follows :—

- (a) If the deceased was a member of a Hindu undivided family governed by the *Mitakshara* law, the person claiming the promissory notes should obtain a certificate from the District Magistrate of the district in which the interest on the promissory notes is payable in the following form:—

“ Certified that _____ (the holder's name), the deceased holder of Government promissory notes Nos. _____ of the _____ loan for Rs. _____ belonged to a Hindu undivided family governed by the *Mitakshara* law, that the Government promissory notes formed part of the joint property of the family and that _____ (the applicant) is the managing (or sole surviving) male member of the family.”

- (b) If the nominal or face value of the holding in Government securities of the deceased person does not exceed Rs. 5,000, and, if six months have elapsed since the death of the holder and probate of his will or letters of administration of his estate or a certificate under the Succession Certificate Act have not been obtained within this period, the person claiming

to be his heir should apply to the District Magistrate of the district in which the interest on the securities is payable for a certificate that he is the heir of the deceased. If after enquiry the District Magistrate is satisfied that the applicant is the only legal heir of the deceased, he will give him a certificate in the following form :—

“ Certified that ————(the applicant) is the only legal heir of the deceased ———— the last holder of Government promissory notes Nos. ———— of the ————per cent. loan of ————for Rs. ————who died on——.”

A certificate obtained under this paragraph should be presented with the note of which renewal is required.

NOTE.—If the interest on the promissory notes is payable at a Presidency town or in an Indian State, the certificate should be obtained from the Chief Presidency Magistrate or Political Agent, as the case may be.

63. The holder of any note, whether renewal is actually required under these rules or not, may procure a renewed note in lieu of his original security in any of the following ways, that is to say, he may present it duly receipted either in person or through a representative at (1) the Public Debt Office, Calcutta; or (2) if enfaced at a Government treasury, at that treasury for transmission to that office; or (3) if enfaced at Bombay or Madras, at the Public Debt Office, Bombay or Madras.

When a note is under renewal, the interest on it, pending the issue of a new note, can only be paid by the order of the Public Debt Office.

Interest on notes under renewal.

64. (a) The following fees are payable in respect of applications for renewal or issue of a duplicate note :—

Fees payable on renewal.

For each note four annas per cent. if the new note does not exceed Rs. 400, and one rupee per note if the new note exceeds that sum.

(b) No fee is payable in respect of the renewal of a note which bears no endorsement other than an

endorsement by an officer of the Imperial Bank of India (or of the Presidency Banks before amalgamation), the Controller of the Currency, his Deputy or Assistant, or an Accountant-General, his Deputy or Assistant, and the renewal endorsement by the person in whose name the note stands endorsed or when such renewal is required only on account of there being no further space on the note in which to record payment or enfacement for payment of interest.

Defective
title.

65. When a promissory note receipted for renewal comes before a Public Debt Office, and the title appears defective, the Public Debt Office will not pass an order for the payment of interest until such title is cleared, or the following procedure is adopted :—

- (a) Where the defect is formal only, so that the risk in overlooking it is small, the note may be renewed at once under a bond of indemnity, which will be for twice the value of the note.
- (b) If the defect, however, be a serious one which it would be inadvisable to overlook, or if the holder, where the defect is formal, refuses to enter into the bond mentioned above, then the Public Debt Office will refuse to renew the note, or to pay interest until the defects in title are cured by the holder.
- (c) In cases where the note belongs to a minor and representation is limited to interest, the Public Debt Office arranges for payment of interest in accordance with paragraph 70.

CHAPTER VIII.

MISCELLANEOUS.

Safe custody of promissory notes at a treasury.

66. Any person who owns Government promissory notes, and who wishes them to be kept in safe custody, can always get this done by the local branch of the Imperial Bank of India. At places where there is no branch, notes may be deposited at the treasury, provided they have been enfaced for payment of interest at that treasury. Such notes should be endorsed by the holder in favour of the Treasury Officer and all arrear interest due should be drawn before the notes are tendered. Interest on notes held in safe custody at a treasury will be paid by the Treasury Officer as it falls due. Whenever it is desired to withdraw notes so deposited, they will be returned to the depositor and will be endorsed by the Treasury Officer in his favour.

Sale or transfer of stock.

67. (a) All sales or transfers of stock must be made in even hundreds of rupees and by transfer to be executed by the registered holder, or by his duly constituted attorney, and registered in the books of the Public Debt Office concerned. Such transfers are exempt from stamp duty. A blank form of deed of transfer is printed on the back of each stock certificate issued and forms can also be obtained at any Public Debt Office. Forms of special powers of attorney for effecting sales can be obtained free of charge from the Local Head Offices of the Imperial Bank of India, Calcutta, Bombay or Madras, directly or through any Treasury Officer.

(b) When it is desired to execute a transfer, the original

certificate must be lodged at the Public Debt Office on whose books the stock is registered. When this has been done and when the transfer has been duly registered, the purchaser will receive a new certificate. The Public Debt Office may, in cases in which this is considered necessary, require the verification of the transferor's signature before a Treasury Officer or other responsible officer of Government.

(c) In cases where only a portion of the stock is transferred the purchaser will receive a certificate for an amount corresponding to the portion transferred, and a new certificate for the balance will be issued to the transferor.

(d) On application to the Public Debt Office arrangements will be made to register the holder or transferee as a trustee or by the name of his office. In the latter case documents executed by the holder of the office for the time-being will be recognised by the Public Debt Office.

68. When a registered holder of stock dies, the Public Debt Office will ordinarily require probate of his will or letters of administration of his estate or a certificate granted under the Succession Certificate Act of 1889 before registering the name of his heir in his place. If however, the nominal or face value of the Government securities held by the deceased does not in the aggregate exceed Rs. 5,000, there is a summary procedure by which his heir can have his name registered without going to the expense and trouble of obtaining any one of the above documents. Application for the registration of the name of the heir under this summary procedure should be made six months after the decease of the registered holder and should be supported by the necessary evidence regarding the applicant's title to the stock. If the evidence produced is a certificate in the following form, signed by the District Magistrate having jurisdiction in the place where interest on the stock is payable or in cases in which interest is payable at a Presidency town or at a place in an Indian State, by the Chief Presidency

Magistrate or the Political Agent concerned, the applicant's claim will be recognised without calling for any further evidence :—

“ Certified that _____ (the applicant) is the only legal heir of the deceased _____ the last holder of stock certificates Nos. _____ of the _____ per cent. loan of—for Rs. _____ who died on _____.”

Consolidation or sub-division of securities.

69. Securities of the same loan on which interest has been paid up to the same date, may be consolidated or subdivided, subject to the condition that, in the case of stock certificates and promissory notes, the new securities will be only for Rs. 100 or multiples of a hundred, and, in the case of bearer bonds, will be for the denominations in which those bonds are issued, namely, Rs. 100, Rs. 500, Rs. 1,000, Rs. 5,000, and Rs. 25,000. Stock certificates and promissory notes presented for consolidation or sub-division should be endorsed by the holder with a receipt to the effect that other stock certificates or promissory notes, as the case may be, have been received in lieu of those presented. The fee charged will be the same as for renewals.

Non-transferable deposit receipts.

70. When a promissory note is the property of a minor the powers of whose guardian are limited to the drawal of interest or belongs to an estate in which administration is limited to interest, the Public Debt Office, upon such note being deposited with it, will arrange for the payment of interest at any treasury or sub-treasury by warrants issued as interest falls due payable to the guardian or administrator. The Public Debt Office will give a non-transferable deposit receipt for the promissory note, and, on the minor attaining majority or the guardian or administrator being given full powers to deal with the note, the Public Debt

Office will issue a promissory note on production of this receipt.

Issue of duplicates to replace securities that have been lost or destroyed.

71. In the case of stock certificates, as already explained, a fresh certificate is issued by the Public Debt Office on being satisfied that the old certificate has actually been lost or destroyed. In the cases of bearer bonds (with or without coupons) and of promissory notes, the claimant should address the Public Debt Office on the subject, giving a full account of the circumstances attending the loss of the bond or the note. He should give the Treasury Officer a copy of that communication. The Public Debt Office will then advise him as to the form of the advertisement of the loss of the bond or note to be published in three successive issues of the Gazette of India and the Local Government Gazette. The circumstances in which the Public Debt Office will issue a duplicate security are set forth in the rules given in Appendix III.

Payment of interest in London.

Stock.

72. Proprietors of stock who may be desirous of transferring the whole or any portion of the amount to England may, on application, obtain from the Public Debt Office on whose books the stock is registered a non-transferable certificate, on production of which at the Bank of England the amount of stock so advised will be registered in the name of the payee and a certificate issued for the same.

In respect of each such non-transferable certificate issued by the Public Debt Offices a charge will be made at the rate of Re. 1 for every Rs. 5,000 or part of it.

Promissory
notes.

Promissory notes may be enfaced by the Public Debt Office concerned for payment of interest in London on payment of a fee of Re. 1 per note and such enfacements may also be cancelled by any Public Debt Office.

Bearer bonds, domiciled in India, may be transferred Bearer bonds. to the books of the Bank of England, on application being made to the Public Debt Office concerned, and on payment of a fee of Re. 1 per bond.

When Government promissory notes are enfaced for payment of interest in London or when stock is registered at the Bank of England, the interest warrants are issued in the form of rupee drafts which are payable in India at Calcutta, Bombay or Madras, as the case may be.

Repayment of principal of terminable loans.

73. The Government of India are legally liable to repay the principal of terminable loans only at the "General Treasury at Fort William in Bengal," but for the convenience of the holders of these loans arrangements are made to repay the principal at the Public Debt Office, or the treasury or sub-treasury where interest is payable.

- (i) *Bearer Bonds*.—Bearer bonds will be payable either at the treasury or sub-treasury at which they are enfaced for payment of coupons or at the Public Debt Office of domicile in whose books they stand. The principal will be paid on presentation of the bonds without any receipt being taken from the presenter.
- (ii) *Stock Certificates*.—Each Public Debt Office will issue along with the last interest warrant due on the loan an intimation that no further interest warrant will be issued, and the principal will be repaid to the holder of the stock certificate at the treasury or sub-treasury at which the interest warrant is payable. The holder should present his stock certificate at the treasury or sub-treasury concerned with a receipt on the back which would read—"Received the principal due on the stock certificate." If the owner of the stock has lost his certificate he

must obtain a duplicate from the Public Debt Office before he can obtain payment of the principal due to him.

- (iii) *Promissory Notes*.—Promissory notes will be paid at the treasury or sub-treasury where interest is payable. In some cases Treasury Officers and Sub-treasury Officers are authorised to make payment at once, but in other cases they have to send the promissory notes to the Deputy Controller of the Currency for examination before making payment. Before presentation of a promissory note at a treasury or sub-treasury the holder should endorse a receipt on the note itself which should read—"Received the principal of the note" or which should convey the same meaning.

At the Public Debt Offices and at many treasuries the securities due for repayment are very numerous and holders, who can do so without inconvenience, should send in their securities a few days before the principal actually falls due, so that any preliminary examination required may not result in payment being delayed long after the due date.

APPENDIX I.

A. CONVERSION OF GOVERNMENT SECURITIES FROM ONE FORM TO ANOTHER.

1. In the case of securities enfaced on or registered for payment of interest at Bombay or Madras, or at the treasuries situated within those Presidencies, the conversion will be effected by the Public Debt Offices, Bombay and Madras, respectively. In other cases the conversion will be effected by the Public Debt Office, Calcutta.

2. When a holder desires to convert securities of one loan into another form of security of a different loan, the conversion will be subject to the rules and conditions, regarding transfers between loans, contained in rules 10 and 11 and also to the following :—

Conversion of a security of one loan into another form of security of a different loan.

- (i) Promissory notes of any of the $3\frac{1}{2}$ per cent. loans may be converted into stock certificates of the same or of any other $3\frac{1}{2}$ per cent. loan.
- (ii) In order to avoid unnecessary multiplication of forms, $3\frac{1}{2}$ per cent. bearer bonds are only issued in respect of the 1854-55 loan. Consequently, holders of stock certificates or promissory notes of any $3\frac{1}{2}$ per cent. loan, who desire to convert the same into bearer bonds will receive bonds of the 1854-55 loan.
- (iii) 3 per cent. bearer bonds are not issued. Consequently, stock certificates or promissory notes of the 3 per cent. loan of 1896-97, the holders of which desire to convert their securities into bearer bonds, will be converted into bearer bonds of the $3\frac{1}{2}$ per cent. loan of 1854-55, on the

same terms as those set forth in paragraph 11, for transfers from the 3 per cent. loan to the $3\frac{1}{2}$ per cent. loan of 1900-01.

(iv) When stock certificates or bearer bonds are converted into promissory notes, the notes issued will be of the same loan as that to which the stock certificates or bearer bonds relate.

(v) Bearer bonds of any loan can only be converted into stock certificates or promissory notes of the same loan.

Conversion of
stock
certificates
into bearer
bonds or
promissory
notes.

3. A holder of a stock certificate, wishing to convert the whole or a portion of the sum represented by it into either bearer bonds or promissory notes, may do so by tendering it either at the Public Debt Office in whose books the stock stands, or at the treasury or sub-treasury at which interest is payable, with the following endorsement:—

“Received in lieu of this stock certificate ^{bearer bonds}_{promissory notes} of Rs.———each (*together with a new stock certificate for the balance amounting to Rs.———*) with interest payable at———Treasury.”

*Signature of the registered
holder or his duly authorised
representative.* } —————

NOTE.—Bearer bonds will, however, not be issued in substitution of other forms of security when the powers of the holders or their executors' or administrators' powers are limited.

Conversion of
bearer bonds
into stock
certificates or
promissory
notes.

4. A holder of bearer bonds, wishing to convert them into stock certificates or promissory notes, should surrender them to the Public Debt Office, Calcutta, Bombay or Madras, as the case may be, or to the treasury or sub-treasury at which the bonds are registered for payment of coupons. No endorsement is required to be made on the bonds. No bearer bond will be accepted for conversion unless the full number of outstanding coupons is attached thereto.

Conversion of
promissory
notes into

5. (a) A holder of promissory notes, desiring to convert his holding into stock certificates, should surrender

them either at the Public Debt Office, Calcutta, Bombay or Madras, as the case may be, or at the treasury or sub-treasury on which the notes have been enfaced for payment of interest. Each promissory note so tendered should be endorsed "Pay to the Governor-General of India in Council."

stock
certificates
or bearer
bonds.

The holder will receive in exchange for the consolidated amount of such notes a stock certificate of the loan to which the notes appertain. If the notes belong to one or more of the $3\frac{1}{2}$ per cent. loans, the holder may, subject to the general conditions governing transfer between these loans, obtain a stock certificate of any other $3\frac{1}{2}$ per cent. loan into which transfer is admissible and into which he may desire to transfer his holding.

(b) A holder of promissory notes, wishing to convert them into bearer bonds, may do so by tendering them either at the Public Debt Office, Calcutta, Bombay or Madras, as the case may be, or at the treasury on which the notes were enfaced for payment of interest, with the following endorsement:—

"Received in lieu hereof, and of notes Nos. ———
in the loan of——of the value of——Rs.——a
bearer bond (or bonds) of Rs.——each amount-
ing to Rs.——with interest payable at——
Treasury."

*Signature of the holder or duly
authorised representative of } —————
holder.*

6. (a) Applications for conversion must in all cases state the number and the value of, and the loan to which belongs the stock certificate, bearer bond or promissory note, tendered for conversion. The application should also state similar particulars as to the stock certificate, bearer bond or promissory note, required in exchange.

Procedure for
dealing with
applications
for conver-
sions.

(b) Forms of application for conversion in the prescribed form are kept in stock at all treasuries and are distributed

free of charge to applicants when required. But an application not in the prescribed form will not be rejected, provided the necessary particulars have been correctly entered.

7. (a) When stock certificates and promissory notes are tendered for conversion into bearer bonds, stock certificates, or promissory notes of the same loan, all accrued interest must be drawn before the application for conversion will be admitted.

In the case of bearer bonds, tendered for conversion into stock certificates or promissory notes, the payment of all unpaid coupons which are due must be taken before the application for conversion will be admitted.

(b) When the conversion, however, is into a different loan, the adjustments mentioned in rule 9 will be necessary.

Fees for
conversion.

8. The Public Debt Offices charge certain fees in connection with the conversions from one form of security to another, except in the case of conversion into stock certificates. These fees are 4 annas per cent. in the case of each converted security not exceeding Rs. 400, and one rupee per security in the case of each converted security exceeding Rs. 400, and are payable at the time of application for conversion.

Adjustment
of interest
in certain
cases of
conversion.

9. Adjustments of interest are necessary in the following cases and should be made as shown in column 3 of the following tables :—

(a) If the application is for stock certificates of the loan of 1865—
promissory notes

and the securities are of the loan of	and interest has not been paid for the last full half-year ending	interest will be paid for that half-year only up to	and the new security will bear interest from
1842-43 . . . {	31st January . . .	31st October . . .	1st November.
	31st July . . .	30th April . . .	1st May.
1854-55 . . . {	29th June . . .	30th April . . .	1st May.
	30th December . . .	31st October . . .	1st November.

and the securities are of the loan of	and interest has not been paid for the last full half-year ending	interest will be paid for that half-year only up to	and the new security will bear interest from
1879 . . . {	15th January . . .	31st October . . .	1st November.
	15th July . . .	30th April . . .	1st May.
1900-01 . . {	29th June . . .	30th April . . .	1st May.
	30th December . . .	31st October . . .	1st November.

(b) If the application is for stock certificates of the loan of 1842-43—
promissory notes

and the securities are of the loan of	and interest has not been paid for the last full half-year ending	interest will be paid for that half-year only up to	and the new security will bear interest from
1854-55 . . {	29th June . . .	31st January . . .	1st February.
	30th December . . .	31st July . . .	1st August.
1865 . . {	30th April . . .	31st January . . .	1st February.
	31st October . . .	31st July . . .	1st August.
1879 . . {	15th January . . .	31st July . . .	1st August.
	15th July . . .	31st January . . .	1st February.
1900-01 . . {	29th June . . .	31st January . . .	1st February.
	30th December . . .	31st July . . .	1st August.

(c) If the application is for stock certificates of the loan of 1854-55—
promissory notes

and the securities are of the loan of	and interest has not been paid for the last full half-year ending	interest will be paid for that half-year only up to	and the new security will bear interest from
1842-43 . . {	31st January . . .	30th December . . .	31st December.
	31st July . . .	29th June . . .	30th June.
1865 . . {	30th April . . .	30th December . . .	31st December.
	31st October . . .	29th June . . .	30th June.
1879* . . {	15th January . . .	30th December . . .	31st December.
	15th July . . .	29th June . . .	30th June.

(d) If the application is for stock certificates of the loan of 1879—
promissory notes

and the securities are of the loan of	and interest has not been paid for the last full half-year ending	interest will be paid for that half-year only up to	and the new security will bear interest from
1842-43 . . {	31st January . .	15th January .	16th January.
	31st July . .	15th July . .	16th July.
1854-55 . . {	29th June . .	15th January .	16th January.
	30th December .	15th July . .	16th July.
1865 . . {	30th April . .	15th January .	16th January.
	31st October . .	15th July . .	16th July.
1900-01 . . {	29th June . .	15th January .	16th January.
	30th December .	15th July . .	16th July.

(e) If the application is for bearer bonds of the loan of 1854-55—

and the securities are of the loan of	and interest has not been paid for the last full half-year ending	interest will be paid for that half-year only up to	and the coupons on the bond will bear interest from
1842-43 . . {	31st January . .	30th December .	31st December.
	31st July . .	29th June . .	30th June.
1865 . . {	30th April . .	30th December .	31st December.
	31st October . .	29th June . .	30th June.
1879 . . {	15th January . .	30th December .	31st December.
	15th July . .	29th June . .	30th June.

B. TRANSFERS BETWEEN LOANS.

10. Promissory notes and stock certificates of any of the $3\frac{1}{2}$ per cent. loans can be transferred to any other of those loans. Transfers between the $3\frac{1}{2}$ per cent. loans.

The conditions on which such transfer is permitted are that—

- (1) a full half-year's interest is due on the stock certificate or the promissory note at the time it is presented for transfer.

Exception.—Transfers are permitted in the following cases independently of the above condition as shown below :—

FROM THE LOAN OF	TO THE LOAN OF			
	1842-43.	1854-55 and 1900-01.	1865.	1879
1842-43 . . .	...	In the months of July and January.	In the months of January, May, June, July, November and December.	...
1854-55 . . .	In all months of the year except January and July.	To the loan of 1900-01 at any time.	In the months of May, June, November and December.	At any time except from 31st December to 15th January and from 30th June to 15th July.
1865 . . .	In the months of February, March, April, August, September and October.	In all months of the year except May, June, November and December.	...	In the second fortnights of January and July and in the months of February, March, April, August, September and October.
1879 . . .	...	...	In the months of May, June, November, and December.	...
1900-01 . . .	In all months of the year except January and July.	To the loan of 1854-55 at any time.	In the months of May, June, November and December.	At any time except from 31st December to 15th January and from 30th June to 15th July.

- (2) The new stock certificate or promissory note will be issued bearing interest from the commencement of the current half-year of the loan to which it appertains.

- (3) Interest up to that date will be paid on the old stock certificate or promissory note.
- (4) The fee prescribed in the case of renewals will be charged on each new promissory note issued, but no fee will be levied on any stock certificate issued.

Transfer
from the 3
per cent. loan
of 1896-97 to
3½ per cent.
loan of
1900-01.

11. Stock certificates and promissory notes of the 3 per cent. loan of 1896-97 can be exchanged for securities of the 3½ per cent. loan of 1900-01, on the following terms:—

- (1) If the face value of the 3 per cent. securities tendered for conversion is an exact multiple of Rs. 700, the tenderer will receive in exchange 3½ per cent. notes for six-sevenths of such face value.
- (2) If the face value of the 3 per cent. securities tendered for conversion does not form an exact multiple of Rs. 700, the tenderer has the option of receiving—
 - (a) Three-half per cent. securities equivalent to the nearest lower multiple of Rs. 700 calculated as in clause (1), together with the difference in 3 per cent. securities; or
 - (b) Three-half per cent. securities of the nearest higher equivalent face value in hundreds calculated in as clause (1), on payment in cash of the difference between (i) six-sevenths of the face value of the three per cent. securities tendered, and (ii) the face value of the 3½ per cent. securities received in exchange.
- (3) Interest on all 3 per cent. securities tendered for conversion, which has accrued up to the end of the preceding half-year, and has not been already drawn, will be paid in cash at the time

of conversion; and the new $3\frac{1}{2}$ or 3 per cent. securities will bear interest from the beginning of the half-year current at the time of conversion.

- (4) Securities may be tendered for conversion at the Public Debt Office, Calcutta, or at any other Local Head Office of the Imperial Bank or at any treasury at which interest is for the time being payable. Securities so tendered must bear one of the following endorsements duly signed as the case may be:—

(a) “Received in lieu of this $\frac{\text{stock certificate}}{\text{promissory note}}$ $3\frac{1}{2}$ per cent. $\frac{\text{stock certificate}}{\text{promissory note}}$ for..... and 3 per cent. $\frac{\text{stock certificate}}{\text{promissory note}}$ for.....” or

(b) “Received in lieu of this $\frac{\text{stock certificate}}{\text{promissory note}}$ and of a cash payment of Rs..... $3\frac{1}{2}$ per cent. $\frac{\text{stock certificate}}{\text{promissory note}}$ for.....”

APPENDIX II.

RULES REGARDING INVESTMENT THROUGH THE POST OFFICE.

Purchase of Government securities.

(Note.—*These rules relate solely to the purchase of existing securities and not to original subscriptions to a new loan—a matter which is regulated by the particular terms of the loan announcement on each occasion.*)

1. Any person, whether previously a depositor in the Post Office Savings Bank or not, may invest through the Post Office in any Government loan bearing interest at $3\frac{1}{2}$ per cent. or upwards.

2. The total amount, after deducting any sum sold through the Post Office, which may be invested through the Post Office by an individual investor in any one official year from the 1st April to 31st March inclusive is Rs. 5,000. The total amount, after deducting any sum sold through the Post Office, which may be left in the safe custody of the Accountant-General under Rule 8 (1) is Rs. 22,500. This limit applies only to securities the interest on which is liable to income-tax unless they are retained in the custody of the Post Office and not to securities which originally are declared income-tax free.

NOTE 1.—The above limits will be applied with reference to the nominal value of the securities purchased. They do not apply to investments in connection with public accounts, or with regimental, police and other conjoint accounts.

NOTE 2.—Subscriptions to new loans through the Post Office will be allowed in each case up to the limit specified in the notification announcing the loan. Such limit will be an addition to the yearly amount of investment permissible under these rules. But securities whether obtained by investing in existing loans or by subscription to a new loan may not be left in the custody of the Accountant-General under Rule 8 (1) in excess of the limit of Rs. 22,500 mentioned above, unless they include an issue declared free of income-tax as one of the original conditions of subscription thereto.

3. An investor may apply either for the purchase of Government promissory notes under Rule 5 or for an investment under the provisions of Rule 6. A separate form of application is prescribed for each of these purposes and may be obtained at any post office.

4. If the investor is already a depositor in the Post Office Savings Bank, he should present his pass-book with his application; if he is not already a depositor, a pass-book will be prepared and delivered to him. Investments in Government securities can be made either from money already deposited in the investor's Savings Bank account, or from money specially deposited for the purpose, or partly from the one and partly from the other.

5. (a) Applications for the purchase of Government promissory notes will be for whole pieces of Government paper of Rs. 100, or any multiple of Rs. 100 subject to the annual limit prescribed by Rule 2.

(b) The investor should specify the particular loan or loans in which he desires to make the investment. He has also the option of taking delivery of the Government promissory notes or of leaving them in the custody of the Accountant-General, Posts and Telegraphs. In the latter case, a receipt from the Accountant-General for the paper will be delivered to the investor. When the paper is to be delivered to the investor, it will be endorsed in his favour, enfaced for payment of interest at any treasury or sub-treasury desired by the investor and forwarded to the post office for delivery.

(c) The purchase will be made by the Accountant-General and the investor will be charged for the paper at the current market rate for the day on which the application for purchase is received by the Accountant-General, as quoted in the Exchange Gazette. This rate cannot be stated beforehand, as it is subject to the fluctuations of the market. Investments at any particular rate are not

undertaken. The entries in connection with the investment will be noted in the pass-book by the Head Office.

6. Investments in any Government loan bearing interest at $3\frac{1}{2}$ per cent. and upwards by means of an Investment Certificate are no longer permissible, but an investor may exchange one or more existing Investment Certificates having an aggregate nominal value of not less than Rs. 100 for a whole piece of Government paper of Rs. 100 or any multiple of Rs. 100 by making an application in the prescribed form. The application must be accompanied by Investment Certificates to be exchanged. If the total nominal value of the Investment Certificates tendered for exchange is not an exact multiple of Rs. 100 the investor may at his option obtain either (i) the next higher multiple of Rs. 100, if the balance in his Savings Bank account is sufficient for the purpose, or (ii) the next lower multiple of Rs. 100. In the latter case the balance will be sold and the proceeds be credited to his Savings Bank account. The investor has also the option of having the Government paper obtained in this way made over to him or held by the Accountant-General, as provided for in rule 5 (b).

Sale of Government securities.

7. (1) Any investor may apply for sale through the Post Office of the whole, or of any portion of any Government promissory notes or stock certificates which may have been purchased for him through the Post Office, whether held by himself or held for him by the Accountant-General, provided that the investor is also a Savings Bank depositor at the time of application, that, in the case of Government promissory notes, they bear no endorsement other than those made by and in favour of the Accountant-General and, in the case of stock certificates, that they are the identical scrip issued to the original holders and also that, if only a portion is specified for sale, the balance of securities left after the sale is of the nominal value of Rs. 100 or a multiple

of Rs. 100. Investment Certificates tendered for sale by an investor will be sold outright unconditionally.

(2) A separate form of application is prescribed for the sale of (i) Government securities and (ii) Investment Certificates. An application must be accompanied by—

(a) Such of the Government promissory notes or stock certificates to be sold as are in the possession of the depositor. Government promissory notes should be endorsed by the holder in favour of the Accountant-General, and, in the case of stock certificates, the form of the transfer on the reverse should be filled in by the holder at the time when these securities are tendered for sale.

(b) The receipt referred to in Rule 5 (b), for such of the securities to be sold as are in the custody of the Accountant-General, or

(c) The Investment Certificates,

as the case may be, and a receipt for them will be granted by the postmaster. The securities in whatever form will be sold by the Accountant-General at the current market rate for the day on which the application for sale is received by the Accountant-General, as quoted in the Exchange Gazette. Sales at any particular rate are not undertaken.

(3) The result of sale will be intimated to the investor by the Accountant-General through the postmaster concerned, with the least possible delay after the receipt of the application. The proceeds of sale, together with any interest that may be due, will be credited to the investor's Savings Bank account in the first instance, and if the annual or total cash limit of his account is thereby exceeded, the excess will not bear interest and must be withdrawn by the depositor.

NOTE.—Securities purchased in the name and on behalf of a minor cannot be sold during the minority, except by the minor's legally constituted guardian.

The Postmaster-General has, however, discretionary power to allow the *natural* guardian to discharge such securities during the period of minority up to the face value

of Rs. 5,000. In cases in which the face value exceeds Rs. 5,000, payment shall only be made under orders of the Director-General of Posts and Telegraphs to the legal guardian.

Safe custody of Government securities.

8. (1) An investor may tender at a Post Office Savings Bank for safe custody by the Accountant-General, Government promissory notes and stock certificates which have been purchased for him through the Post Office, provided that the investor is a Savings Bank depositor at the time the securities are tendered, and that, in the case of Government promissory notes they bear no endorsements other than those made by and in favour of the Accountant-General and, in the case of stock certificates, that they are the identical scrip issued to the original holders. Except in the case of investments in connection with public accounts or with regimental, police or other conjoint accounts, the total amount which may be kept in the custody of the Accountant-General by an individual investor is limited to Rs. 22,500 in securities the interest on which is liable to income-tax unless they are retained in the custody of the Post Office. This limit is exclusive of securities issued free of income-tax as one of the conditions of subscription thereto. The tender must be made on the form prescribed for the purpose. Government promissory notes tendered for safe custody should be endorsed by the holder in favour of the Accountant-General. In the case of stock certificates the form of transfer on the reverse should be filled in by the holder. A receipt from the Accountant-General for the securities will be delivered to the investor.

(2) An investor may also, at any time, apply through the local post office for the delivery to him of any Government promissory notes which have been purchased for him through the Post Office. The application must be

made in the form prescribed for the purpose and be accompanied by the receipt referred to in sub-section (1) of this rule or in rule 5 (b). The securities will then be forwarded to the postmaster concerned for delivery to the investor. In the absence of any special request as to the form of the security it will be delivered in the form of a promissory note.

NOTE.—Securities purchased through the Post Office on behalf of a Fund other than one belonging to a body corporate with perpetual succession and a common seal and kept in the safe custody of the Accountant-General, Posts and Telegraphs, will be sold by him on application by the person or persons who have furnished a declaration. If delivery of the securities is applied for, the notes will be delivered endorsed in the name of such party or parties.

Interest on Government securities.

9. So long as Government securities purchased through the Post Office remain in the custody of the Accountant-General, under Rules 5 (b) and 8 (1), interest when due will be drawn and advised to the local Post Office Savings Bank by the Accountant-General for credit to the investor's account. If the annual or total cash limit of the account is exceeded, the excess will not bear interest.

10. No fee, commission, or brokerage of any kind is charged for the purchase, sale, safe custody or delivery out of custody of Government securities bought through the Post Office, or for the realisation and remittance of interest on such securities. So long as Government securities purchased through the Post Office remain in the custody of the Accountant-General, under Rules (5) (b) and 8 (1), the interest thereon is exempt from income-tax.

11. The Governor-General in Council reserves the right to alter or add to these rules at any time.

APPENDIX III.

RULES GOVERNING THE ISSUE OF DUPLICATES OF PROMISSORY NOTES AND BEARER BONDS.

A.—*Promissory Notes.*

Report to the
Public Debt
Office of loss
or destruction
of promissory
note.

1. (1) Every application for the issue of a duplicate note in place of a Government promissory note which is alleged to have been lost or destroyed, either wholly or in part, shall be addressed to the Public Debt Office, and shall be accompanied by a statement of the following particulars, namely :—

(a) Particulars of the note according to the following form :—

promissory note for Rs. , No.
of the per cent. loan of ;

- (b) the last half-year for which interest has been paid ;
- (c) the person to whom such interest was paid ;
- (d) the person in whose name the note was issued (if known) ;
- (e) particulars of coupons attached (if any) ;
- (f) the place for payment of interest at which the note was for the time being enfaced ;
- (g) the circumstances attending the loss or destruction ;
and
- (h) whether the loss was reported to the police.

(2) Such letter shall be accompanied by—

- (a) the Post Office registration receipt for the letter containing the note, if the same was lost in transmission by registered post ;
- (b) a copy of the police report, if the loss was reported to the police ;

- (c) a letter signed by the officer of the treasury or Local Head Office of the Imperial Bank of India where interest was last paid, certifying the last payment of interest made on the note, and, if interest was paid out of Calcutta, to whom it was made ;
- (d) if the applicant is not the last registered holder, an affidavit sworn before a Magistrate testifying that the applicant was the last legal holder of the promissory note, and all documentary evidence necessary to trace back the title to the last registered holder ; and
- (e) any portions or fragments which may remain of the lost or destroyed note.

(3) A duplicate of the letter to the Public Debt Office, but not of its enclosures, shall also be sent to the treasury where interest is payable.

2. The loss or destruction of a Government promissory note or portion of a Government promissory note shall be further notified by the applicant in three successive issues of the *Gazette of India*, and of the local official Gazette, if any, of the place where the loss or destruction occurred. Such notification shall be in the form following, or as nearly in such form as circumstances permit :—

“ *Lost* ” (or “ *destroyed* ” as the case may be).

The Government promissory note No. _____ of
 the _____ per cent. loan of _____ for Rs. _____
 _____, originally standing in the
 name of _____, and last endorsed
 to _____, the proprietor, by
 whom it was never endorsed to any other person,
 having been lost or destroyed, notice is hereby
 given that payment of the above note and the
 interest thereupon has been stopped at the
 Public Debt Office, and that application is about

Notification
in Gazette.

to be made for the issue of a duplicate in favour of the proprietor. The public are cautioned against purchasing or otherwise dealing with the above-mentioned security.

Name of person notifying.....

Residence....."

issue of dup-
licate note
and taking of
indemnity.

3. (1) On the expiry of six months from the date of the last notification prescribed in rule 2, the Controller of the Currency shall, if only a portion of the note has been lost or destroyed and if he is satisfied of its loss or destruction and of the justice of the claim of the applicant, and if a portion of the note, sufficient for the identification of the note has been produced, order the Public Debt Office to issue to the applicant, on the execution of an indemnity bond in the prescribed form and for the amount hereinafter provided, a duplicate note in place of that of which a portion has been so lost or destroyed.

(2) If no portion or no sufficient portion of the note, so lost or destroyed has been produced, the Controller of the Currency shall, on the expiry of two years from the date of the last notification prescribed in rule 2, if *prima facie* grounds exist for believing that the note has been lost or destroyed and that the claim of the applicant is just, pass a provisional order requiring the Public Debt Office—

- (a) to pay to the applicant, on the execution of an indemnity bond such as is hereinafter mentioned, the interest in respect of the note so lost or destroyed pending the issue of a duplicate note, and
- (b) to issue to the applicant, unless reasons to the contrary appear (in which case the matter shall be referred back to the Controller of the Currency), on the expiry of six years from the date of publication of the list in which the lost or destroyed note is first included and on the execution of an indemnity bond such as is hereinafter men-

tioned, a duplicate note in place of that so lost or destroyed :

Provided that, if the date on which the note is due for repayment falls earlier than the date on which the period of six years prescribed in this rule expires, the Controller of the Currency shall, within six weeks of the former date, invest the principal amount due on the note in the Post Office Savings Bank, and shall repay this amount, together with any interest which may have accrued thereon in such Bank, to the applicant at the time when a duplicate note would otherwise have been issued.

(3) In making an order under this rule, the Controller of the Currency may direct that the indemnity bond be executed by the applicant alone or by the applicant and two sureties, as the Controller of the Currency may think fit.

4. A provisional order passed under sub-rule (2) of rule 3 shall, on the expiry of the six years referred to thereon, become final :

Provided that the Controller of the Currency may, at any time prior to the issue of a duplicate note, if he finds sufficient reason, alter or cancel any such order, and may also direct that the interval before the issue of a duplicate note shall be extended by such period, not exceeding six years, as he may think fit.

5. Indemnity bonds shall,

(a) when taken on the issue of a duplicate note or notes, ordinarily be taken as nearly as may be in the prescribed Form and be for twice the amount of such note or notes and

(b) when taken on the issue of orders for payment of interest, ordinarily be taken as nearly as may be in the prescribed Form and be for twice the amount of the interest involved, that is to say, twice the aggregate amount of all back interest accrued due on the note *plus* twice the amount of

Alteration
order, etc.

Indemnity
bonds.

all interest to accrue due thereon during the period which will have to elapse before the issue of a duplicate note can be made.

B.—Bearer Bonds.

Report to the
Public Debt
Office of loss
or destruction
of bearer
bond.

6. (1) Every application for the issue of a duplicate bond in place of a bearer bond which is, or the coupons of which are, alleged to have been lost or destroyed, or which are alleged to have been lost or destroyed together with its coupons, shall be addressed to the Public Debt Office, and shall be accompanied by a registration fee of Re. 1 per bond and a statement of the following particulars, namely:—

- (1) particulars of the number and value of the bearer bond and the loan to which it belongs ;
 - (2) particulars of coupons alleged to have been lost, or in the possession of the claimant, as the case may be ;
 - (3) the name of the Public Debt Office or treasury at which the bond has been registered for payment of interest ;
 - (4) the circumstances attending the loss or destruction ; and
 - (5) whether the loss was reported to the police.
- (2) Such letter shall be accompanied by—
- (a) the Post Office registration receipt for the letter containing the bearer bond or coupons, or both if lost in transmission by registered post ;
 - (b) a copy of the police report, if the loss was reported to the police ;
 - (c) a letter signed by the officer of the treasury or Local Head Office of the Imperial Bank of India where interest was last paid, certifying the last payment of a coupon with regard to the bond ;
 - (d) an affidavit sworn before a Magistrate testifying that the applicant was the last legal holder of the bearer bond ; and

- (e) any portions or fragments which may remain of the lost or destroyed bearer bond or coupons, or both.

(3) A duplicate of the letter to the Public Debt Office, but not of its enclosures, shall also be sent to the treasury at which the bond is registered for payment of coupons.

7. The loss or destruction of a bearer bond, or coupons, or both, shall be further notified by the applicant in three successive issues of the *Gazette of India*, and of the local official Gazette, if any, of the place where the loss or destruction occurred. Such notification shall be in the form following or as nearly in such form as circumstances permit :

Notification
in Gazette.

“ *Lost* ” (or “ *destroyed* ” as the case may be).—The bearer bond
Coupons relating

No.—of the—per cent. loan of—for Rs.—(together with coupons or without
to bearer bond No.—of the—per cent. loan of—for Rs.—

coupons)—having been lost or destroyed, notice is hereby given that application is about to be made to the Public Debt Office, Calcutta, for the issue of a duplicate in favour of the undersigned.

Name of person notifying.....

Residence.....

8. Where a bearer bond is reported to be lost or destroyed, and the coupons are in the possession of the person claiming to be the owner of the bond and coupons, the Controller of the Currency, shall on the expiry of six months from the date of the last notification prescribed in Rule 7, if satisfied that the bond has been lost or destroyed, order the Public Debt Office, to issue to the applicant a duplicate bond with coupons and to pay the amount of any coupons which may be due on the execution of an indemnity bond taken as nearly as may be in the prescribed form for twice the value of the bond lost or destroyed, and on the surrender of the unpaid coupons of the original bond.

Issue of dupli-
cate on
indemnity
when bond
lost or des-
troyed.

9. Where both a bearer bond and its coupons are reported to be lost or destroyed, the Controller of the Currency

Issue of
duplicate on
indemnity

when both
bond and
coupons lost
or destroyed.

shall, on the expiry of two years from the date of the last notification prescribed in Rule 7, if *primâ facie* grounds exist for believing that the bond and coupons have been lost or destroyed, and that the claim of the applicant is just, pass a provisional order requiring the Public Debt Office, on the expiry of six years from the date of publication, of the list in which the lost or destroyed bond or coupons are first included and on the execution of an indemnity bond taken as nearly as may be in the prescribed form for twice the value of the bond and twice the value of the coupons due for payment, and unless reasons to the contrary appear (in which case the matter shall be referred back to the Controller of the Currency),—

(a) to issue to the applicant a duplicate bond with coupons, and

(b) to pay the amount of any coupon which may be due :

Provided that, if the date on which the bearer bond is due for repayment falls earlier than the date on which the period of six years prescribed in this rule expires, the Controller of the Currency shall, within six weeks of the former date, invest the amount of the bond in the Post Office Savings Bank, and shall repay this amount, together with any interest which may have accrued thereon in such Bank, to the applicant at the time when a duplicate bond would otherwise have been issued.

Issue of dup-
licate on
indemnity
when coupons
only lost or
destroyed.

10. Where the coupons only of a bearer bond are reported to be lost or destroyed, the Controller of the Currency shall, on the expiry of two years from the date of the last notification prescribed in rule 7, if *primâ facie* grounds exist for believing that the coupons have been lost or destroyed, and that the claim of the applicant is just, pass a provisional order requiring the Public Debt Office, on the expiry of six years from the date of publication, of the list in which the lost or destroyed coupons are first included and on the execution of an indemnity bond taken as nearly as may be in the

prescribed form for twice the value of the coupons due for payment, and unless reasons to the contrary appear (in which case the matter shall be referred back to the Controller of the Currency)—

(a) to issue to the applicant a duplicate bond with coupons, and

(b) to pay the amount of any coupons which may be due.

11. A provisional order passed under rule 9 or rule 10 shall, on the expiry of the six years referred to in these rules, become final : Alteration of order, etc.

Provided that the Controller of the Currency may at any time prior to the issue of a duplicate bond, if he finds sufficient reasons, alter or cancel any such order and may also direct that the interval before the issue of a duplicate bond shall be extended by such period, not exceeding six years, as he thinks fit.

12. (1) In making any order under rule 8, 9 or 10 the Controller of the Currency may direct that the indemnity bond be executed by the applicant alone or by the applicant and two sureties, as the Controller of the Currency may think fit. Indemnity bonds.

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